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Thompson S. H. Teo, Sheryl E. Kimes, Zhiyi Yong

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Case Article

The Rise and Fall of Taxi Club Management in New York

Thompson S. H. Teo,^a Sheryl E. Kimes,^{a,b} Zhiyi Yong^c

^aSchool of Business, National University of Singapore, Singapore 119245; ^bSchool of Hotel Administration, Cornell University, Ithaca, New York 14853; ^cNanyang Technological University, Singapore 639798

Contact: bizteosh@nus.edu.sg,  <http://orcid.org/0000-0002-4301-7430> (TSHT); sek6@cornell.edu (SEK); yong.zhiyi@u.nus.edu (ZY)

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Abstract. This case provides an interesting example of a traditional business being disrupted by a new business based on the sharing economy. Taxi Club Management (TCM) was the largest taxi fleet in New York City and was doing well until Uber came along. The case traces the entry of Uber and the disruption to TCM's business, resulting in the eventual bankruptcy of TCM.

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Supplemental Material: The Case Teaching Note is available at <https://www.informs.org/Publications/Subscribe/Access-Restricted-Materials>.

Keywords: Taxi Club Management • Uber • taxi • service operations management • disruption • ride sharing • competition • change • value proposition • New York

Introduction

The case focuses on how a successful incumbent, namely Taxi Club Management (TCM), was slow to respond to the threat posed by the entry of Uber to the New York taxi business. The case is based on an actual situation using secondary data. This case is appropriate for undergraduate and graduate students studying business models, service operations management, and service design.

Traditionally, cases about disruption and the sharing economy are usually discussed from the viewpoint of innovation and strategy. In contrast, we have adopted a service operations management viewpoint, which provides an interesting angle to view disruption through a customer-experience lens.

The case has five learning objectives:

- Describe the effect companies with disruptive business models can have when they enter an established industry and the threats that these innovative companies may pose to incumbent firms.
- Identify the reasons behind a service's failings by analyzing the mechanisms and considerations behind the design and implementation of a given service.
- Identify internal and external factors that affect the delivery of a given service and explain how these factors can affect customer satisfaction.
- Explain how technology impacts the execution of a given service.

- Recommend initiatives that companies could consider implementing in response to the entrance of a disruptive and innovative firm.

Prior to attempting to address the issues in this case, students should be familiar with how companies create value propositions, basic service blueprinting approaches, designing for customer needs and experiences, and service quality principles. These concepts are covered in many operations management, marketing, and strategy textbooks. After completing the case, students will have learned how to apply these concepts to a business situation.

Experience with Teaching the Case

We have taught this case in two class sections of an elective service operations management undergraduate class (45 students per section) at the School of Business, National University of Singapore (NUS). Students worked in teams of four to six students and were asked to prepare and present their answers to specific questions in the case. The class had about 40% exchange students from a variety of countries. Each group included a mix of NUS students and exchange students. The case was given as a class assignment. Each group was assigned two questions and was required to develop a detailed PowerPoint presentation with notes. The student groups then presented their analyses in class and were evaluated on the quality of their presentation.

Although there are other cases on Uber, they are usually written from the perspective of Uber. In contrast, our case is viewed from the perspective of the incumbent. The case is used as a capstone case and placed near the end of the term, right after we cover service quality. We had previously used the Korean Air Nut Rage case (Teo and Zhao 2015) as the capstone case. We believe that the case study provides a real-life situation that appeals to students versus other teaching methods. Students are able to relate well to the disruption to the traditional taxis caused by Uber. Students also have experiences taking both Uber and traditional taxis, so they are able to compare the services offered.

The service operations management course is one of the undergraduate electives offered in the department of analytics and operations and is a core module in the operations and supply chain major. More than 10% of students in each cohort take this class.

The case would work well with both undergraduate and graduate classes in service operations, services marketing, and general management. Although we have not yet used it in an executive education session, we are confident that it would be well received.

The students applied concepts learned in service operations management class to the case. For example, students applied the dimensions of service quality (reliability, responsiveness, assurance, empathy, tangibles) to analyze in which dimension TCM was rather weak. Students also discussed the pros and cons of differentiated services and surge pricing.

The class discussions were lively, and the students found the case to be rather interesting. Students were able to relate to the case as the same incident of Uber and Grab disrupting the Singapore taxi market was occurring. In addition, the exchange students were able to relate the topic to the disruption going on in the taxi industries in their respective countries. Concepts covered in the service operations modules were also reinforced through their applications in the case. One student commented,

The TCM case was very useful in illustrating how a business can rapidly become obsolete when the industry undergoes disruption. It was also a good exercise for us to compare TCM with its competitors, Uber and Lyft. It was good that we examined aspects of ride-sharing business model (dynamic pricing, etc.) in detail.

Conclusion

This case provides an interesting example of a traditional business being disrupted by a new business based on the sharing economy. Given that the same problem is confronting companies in a variety of industries, the students found it interesting and directly applicable to current business issues. The TCM, the largest and most successful taxi fleet in New York City, experience can help students understand how companies can redesign their service operation to better address customer needs in the face of disruption. The case traces the entry of Uber and the disruption to TCM's business, resulting in the eventual bankruptcy of TCM.

Traditionally, cases about disruption and the sharing economy are usually discussed from the viewpoint of innovation and strategy. In contrast, we have adopted a service operations management viewpoint, which provides an interesting angle to view disruption through a customer-experience lens.

We have found the following readings and videos to be relevant background information for the case.

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