

Volume 32, Number 2, November 2025

Practice exam questions

The urban mobility market

Mark Hage

Check your answer to the question on pp. 6–7 of the magazine. This question relates to the Edexcel specification.

Sample answer

One way in which pricing strategies have been useful is through penetration pricing. When Uber launched, its whole model was based on being cheaper than traditional taxis. This low-price approach was essential for getting people to try the service for the first time and to switch from competitors. The article mentions that one of Uber's main rivals, Bolt, uses a similar strategy by charging its drivers a lower commission (15% vs Uber's 25%), which allows it to offer more affordable fares for riders. This shows that in the ride-hailing market, low prices are a key means of attracting customers and building up a user base. Uber should therefore implement even lower prices than Bolt, in order to ensure it continues to gain an increase in market share. This is likely to cause competitors like Bolt to struggle to compete on price, leading to possible competitor failure, leaving Uber to not only gain further market share but be able to increase prices due to market dominance.

Another useful strategy is dynamic pricing. This is where Uber changes its prices based on demand. For example, during peak hours or bad weather, prices go up (surge pricing). While customers may be dissatisfied with this, it may be more effective at managing supply and demand. It encourages more drivers to get on the road when they are needed most, meaning that Uber can serve more customers and does not lose them to rivals because there are 'no cars available'. This flexibility helps Uber to be a reliable service, which keeps customers loyal and protects its market share from competitors who might not manage their driver supply as effectively.

However, pricing strategies aren't always useful and can have major drawbacks. Uber's constant focus on low prices and its commission structure have led to endless controversies and clashes with drivers and local governments, as the article mentions. This has damaged Uber's brand reputation. A competitor like Cabify has taken a different approach with a 'transparency in pricing' strategy, where customers know the exact fare in advance. This focus on fairness and 'regulatory compliance' rather than just low prices has been the 'cornerstone of Cabify's success' in Latin America. This suggests that a reputation for ethical behaviour and transparent pricing can be just as, if not more, useful than simply being the cheapest. Uber may therefore continue to lose market share even with the lowest prices, if customers perceive other brands to fit more closely with their own beliefs, leading to reducing profits and a declining share of the market.

Furthermore, while low prices are good for grabbing market share initially, they are not a sustainable long-term strategy. Uber has famously struggled to make a consistent profit, partly because its low-price model is hard to maintain. Other factors like convenience, safety and brand image become more important for keeping market share once a company is established. The article points out that the convenience of cashless payment and the simple app interface ('tap a button, get a ride') were also

key to Uber's growth. This shows that while price is useful, it is the overall customer experience and the strength of the technology platform that ensure growth in market share in the long run.

In conclusion, pricing strategies were useful for Uber to disrupt the market and gain its initial dominant market share. However, their usefulness is limited because an aggressive focus on low prices can damage brand reputation and is not sustainable. Ultimately, a blend of competitive pricing with a strong focus on convenience, technology, and brand trust is needed to maintain and grow market share in the long term.

Sample examiner comment

Mark: 12/12 (level 4 – an excellent response, fully focused on the question)

Thorough knowledge and understanding of the pricing strategies are shown. Application is shown through the use of appropriate context applied to the question. Coherent and logical analysis are linked together, giving cause and effect of the positive and negative effects on growth of each of the two pricing strategies, using context-based quantitative and qualitative data for competing arguments.

An evaluation of competing arguments, with context, is gained from the balanced arguments and counter arguments regarding entrepreneurship and its links to pricing strategies and growth.

This resource is part of BUSINESS REVIEW, a magazine written for A-level students by subject experts. To subscribe to the full magazine, go to www.hachettelearning.com/businessreview