



## CULTURE EATS STRATEGY FOR BREAKFAST, AGAIN

PROFESSOR HOWARD YU ON GLOBAL COMPANIES LIKE UBER NOT  
ADAPTING TO LOCAL CULTURES

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As Uber bows out to Grab, we learn that even in the land of internet, personal culture still wins over global tech giants' blanket global strategy. Does the American dream not work for Asia?

In the understandably optimistic Silicon Valley, any startup has the potential to produce miracles, with promises of marvels and golden uplands. Entrepreneurs on the West Coast always have reasons to look ahead to a distant frontier, as the world markets can be conquered by the switch of an algorithm.

Such has been the business strategy and, in fact, the business mentality of Google, Amazon, Facebook, Airbnb, Uber, Snapchat, WeWork, Dropbox, and practically every other company from the Valley.

So when mighty Uber bowed out to Grab recently in Southeast Asia, following its earlier retreats from China and Russia, academics and commentators saw not so much a personal defeat of Uber's founder Travis Kalanick but a challenge to people's understanding of a business dynamic.

Among business school academics and consultants, the "network effect" is a common refrain that explains the rise of Uber and Airbnb. In both cases, the company took on the role of a two-sided marketplace, facilitating selling on the supply side and buying on the demand side to enable the exchange of goods or services.

The value of such a platform depends, in large part, on the number of users on either side of the exchange. That is, the higher the number of people who use the same platform, the more inherently attractive the platform would become — leading even more people to use it.

So even for a social media platform such as Facebook or Snapchat, the higher the number of end users hanging out reading news and playing games, the more willing big brands, such as Coca-Cola and Procter & Gamble and Nike, are to buy ads there. And when a platform reaches a certain size, its dominance then become hard to unseat, or so the theory goes.

What Uber's latest struggle against Grab illustrates, however, is that size is more of a consequence than the direct source of greatness. What fits well in one country can fare badly in another. Any platform still needs to achieve the product/market fit to be successful over the long run. In other words, the idea of a standard platform, by means of which a company can build one version of an app and then roll it out across the world, no longer suffices.

Anthony Tan, co-founder and chief executive of Grab, saw the imperative to understand, appreciate, and build regional distinctions into a product. In the Philippines, for instance, eight major dialects are spoken. When someone calls Grab's customer service, the representative will speak in the local dialect.

Passengers can text drivers via a chat feature with automated translation. Instead of forcing drivers to accept credit card payment in the name of a "frictionless" transaction, Grab embraces cash.

"We understood the taxi driver's need for daily income. We understood that a lot of people really use cash. We respect the hyperlocal culture in places we operate," Tan said. In Singapore, Grab lets users input convenient numeric codes for nearby taxi stands in lieu of addresses.

A lack of trust and scanty safety records also plague the taxi industry in other parts of Asia. Grab's response is to let riders retrieve drivers' police records through the app and share routes and license plate numbers with friends and family. It also masks passengers' phone numbers from drivers as an additional safety precaution.

In Indonesia where road congestion is endemic, Grab offers rides on motorcycles via "Grab-Bike." Grab has now surpassed Google in the efficacy of its route planning suggestions, as tens of thousands of motorcyclists navigate back roads and side streets to avoid traffic, all the while sweeping up copious GPS data. All these local tweaks, though none can be claimed as a technological breakthrough, collectively have helped Grab win over local consumers.

This is good news not only to Grab but to other regional players too, including Go-Jek, who is headquartered in Indonesia, currently eyeing a public offering.

But the bigger story here is a changing playbook for all Internet business. As more sectors — transportation, aviation, healthcare, energy, and so on — embrace a “digital strategy”, managers will find that deep understanding of their own market is still the most potent defense against competition.

These sectors have never been, and never will be, composed of purely digital “bits”. Transportation, aviation, healthcare and energy differ from media, music, and advertisement, not just in degree, but in kind.

When a platform strategy requires a mixing of digital “bits” with physical atoms, the key differentiation remains in how a service is actually delivered in the physical world.

Uber’s ultimate mistake was to let its app stay largely unchanged from the one it used in the United States, as it sailed out from the West Coast. That mentality of an imperial armada, which aims to establish beachheads on every other continent, of course, can never be sustainable in the long run.

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*This article was originally published in [The Jakarta Post](#).*