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TECH

Uber Cuts 14% of Jobs During ‘Brutal’ Day as Pandemic Upends Sharing Economy

News comes ahead of quarterly updates from ride-sharing company and its smaller rival Lyft



Almost one in five Uber rides last year was booked in the metro areas of Chicago, London, Los Angeles, New York City and San Francisco.

PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

By *Tim Higgins and Parmy Olson*

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Uber Technologies Inc. UBER -2.00% ▼ is cutting about 14% of its workforce and looking for more ways to save money as its ride-hailing business has dropped dramatically amid the coronavirus pandemic.

The San Francisco-based company and smaller rival Lyft Inc. were part of a wave of companies that built their businesses around the idea that individuals could share their assets and use them to help earn a living. The era of social distancing has upended that sharing economy.

To adjust, both are slashing costs as quickly as they can. On Wednesday, Uber said it was cutting about 3,700 workers and that Chief Executive Dara Khosrowshahi agreed to waive his base salary for the rest of the year. Last week, Lyft said it was cutting 17% of its workforce and putting some employees on unpaid furloughs as well as trimming salaries.

Mr. Khosrowshahi, in a memo to employees, hinted at more cuts to come, telling workers that Wednesday's job reductions were part of a broader "exercise" to adjust the company's cost structure and that he expected a "further, final" update on that effort within the next two weeks.

"We are looking at many scenarios and at each and every cost, both variable and fixed, across the company," he said in the memo. "We want to be smart, to move fast, to retain as many of our great people as we can, and treat everyone with dignity, support and respect."

The CEO acknowledged the pain of the action in his Wednesday memo: "Days like this are brutal."

The pandemic has challenged the very business model that supercharged Uber and other businesses into some of the world's most valuable startups. Uber, Lyft and Airbnb Inc., among others, now face questions about consumers' willingness to participate in the sharing—or gig—economy at a time when health experts and government officials are recommending sheltering in place and avoiding contact.

"The big question is how Uber and Lyft navigate the Street to get comfort with what the business model looks like on the other side of this dark valley," Daniel Ives, an analyst for Wedbush Securities, said Tuesday.

The ride-sharing companies this week will be reporting results for the three months through March that won't reflect the full impact of the coronavirus because many parts of the U.S. weren't affected until the final weeks of the quarter.

Expectations for the three months through June are worse.

Analysts expect Lyft's sales in the current second quarter to total \$560.8 million, half of what was expected in this period by analysts at the end of February and down 35% from the year-ago quarter, according to FactSet. Uber's current-quarter sales are only

projected to drop 7% year-over-year to \$2.93 billion, but that same estimate was at \$4.26 billion at the end of February, FactSet said.

“The impact on the sharing economy will be enormous, even devastating,” said Stephanie Balaouras, a vice president at Cambridge, Mass.-based Forrester Research Inc. who studies tech operations.

As society shut down, ridership plunged. Spending on Uber rides dropped 85% the week of April 20 in the U.S. compared with a year earlier, according to research firm Edison Trends.

Big cities are core markets for the ride-sharing companies. Almost one in five Uber rides last year was booked in the metro areas of Chicago, London, Los Angeles, New York City and San Francisco. Those cities all have stringent shelter-in-place orders that have been extended deep into the second quarter.



Airbnb is cutting 1,900 employees, or 25% of its workforce, co-founder and Chief Executive Brian Chesky said Tuesday, citing the hit to the company’s business from the pandemic. He also said the company was narrowing its focus because it isn’t clear when travel will return and when it does, it won’t be the same.

“Travel in this new world will look different, and we need to evolve Airbnb accordingly,” Mr. Chesky said in a memo to employees. The drop in bookings has threatened Airbnb’s plans to go public in 2020, investors say.

Uber’s share price, off 5.6% in 2020, has held up better than Lyft’s, which is down 38% this year, in part because of its food-delivery operations. Online ordering from grocery stores and restaurants has surged since the U.S. declared a national emergency in March.

Analysts will be looking closely at Uber’s results to better understand what an increase of its Eats food-delivery business means to the bottom line. Gross bookings of Eats deliveries may rise 42% in the first quarter from a year ago, according to the average estimate of analysts surveyed by FactSet, while staying roughly in line with the fourth quarter.

Mr. Ives, the Wedbush analyst, said pressure on fees from restaurants and local governments could offset any increase in demand because of Covid-19.

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Before the pandemic, Uber was spending heavily to grow Eats as it faced heavy competition from DoorDash Inc. and Postmates Inc. In the fourth quarter, Uber

said Eats' adjusted loss from operations widened by 66% to \$461 million from the year-earlier quarter.

An increase in Eats deliveries has been helpful for Uber drivers weighing decisions about whether to continue driving passengers and risk being exposed to the virus, or face extreme financial difficulty.

"I'm barely earning £100 (about \$125) a week," said Tom Millen, an Uber driver in London who stopped driving because he didn't want to risk catching the virus. Previously, he made around £1,200 weekly on Uber. He has been doing deliveries with Uber Eats and grocery chains, and working in a warehouse to support his family, including his wife and 10-month-old son.

In April, Uber announced it had begun shipping disinfectant sprays to some drivers and was distributing masks with the first shipment going to New York City. The company said it had ordered tens of millions of masks.

Uber and Lyft have faced pressure from regulators and lawmakers over how their drivers are classified, and on Tuesday [California sued the companies](#), citing the state's gig-economy law that became effective Jan. 1. The state said the ridehailers' decision to classify drivers as contractors rather than employees has deprived them of rights such as paid sick leave and unemployment insurance—two issues made more visible during the pandemic.

As shutdown orders lift, Uber and Lyft may benefit from customers choosing a ride to work because they are wary of returning to the close quarters of public transportation.

“When you’re [packed] against people and you hear distant coughing, I think there’s nothing worse in terms of the human psyche right now because there’s just so much fear,” Brian Roberts, Lyft’s chief financial officer, said in March.

Corrections & Amplifications

Dara Khosrowshahi is the chief executive of Uber. An earlier version of this article misspelled his last name.

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