

▲ Maxime Cohen



GAINING AN EDGE IN THE BRUTAL RIDE-SHARE MARKET

COMPENSATING RIDERS FOR SERVICE DELAYS CAN MAKE A DIFFERENCE

→ **RIDE-SHARING FIRMS THAT BUILD** a strong, data-driven strategy to mine insights provided by customer usage will gain an advantage in this fiercely competitive, online-based business. New research by NYU Stern Professor Maxime Cohen shows that targeting disappointed riders and proactively offering them compensation is profitable and can increase customer engagement and retention.

In “Frustration-based Promotions: Field Experiments in Ride-Sharing,” Professor Cohen and co-authors Michael-David Fiszer and Baek Jung Kim designed field experiments that explored whether and what kind of proactive compensation could assuage customers who experienced delays while using the popular, real-time, ride-sharing platform Via.

The experiments were conducted with more than 5,000 customers in New York City and Washington, DC, in 2017. Various forms of compensation—e.g., discounts, future credit, waived charges—were tested. The researchers analyzed the riders’ future behavior to determine the compensation’s effectiveness—i.e., did they return to Via, how frequently did they use it afterward, and so on.

As an example, Via customers who received \$5 credit went on to spend between 12 and 37 percent more and took between 13 and 26 percent more rides compared to customers who received no compensation. “When Via proactively tends to customers in real time, they ride more and are more likely to recommend the service to their friends, helping the company gain market share,” said Professor Cohen.

The data revealed that a variety of compensation methods was especially effective

for retaining frequent or intermediate-use customers who had to wait for their ride to arrive longer than they were told. However, such attention failed to impress riders experiencing longer travel time than expected. A texted apology from Via, rather than compensation, also proved ineffective.

MAXIME COHEN is an assistant professor of Information, Operations and Management Sciences at NYU Stern.

MICHAEL-DAVID FISZER, formerly an executive at Via, is a product manager at Google.

BAEK JUNG KIM is a sixth-year PhD student in marketing at NYU Stern.

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