REDUCING SURGE PRICING CONTROVERSIES: A CASE STUDY OF DIRECT NEGOTIATION IN RIDE-HAILING SERVICES IN THE UNITED STATES OF AMERICA

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Abstract
This paper aims to evaluate the efficiency of direct negotiation and feedback systems in responding to the surge pricing concerns in the US ride-hailing applications with New York City as the case study. The surge pricing has become a major issue as the fare has been increased more than the drivers' compensation and has raised public concerns during crises. As the study aims to explore the following: How direct negotiations between the platform drivers and the platform management can reduce the above-stated challenges. How the feedback mechanisms strengthen the above-stated challenges. The study employs qualitative analysis of secondary data collected from online industry reports and articles from 2019-2024. The results show that from 2019 to 2022, the fare increase was 50%, while the median driver pay increase was only 31%, which also calls for more rational approaches to compensation. The study also reveals large disparities in the level of driver satisfaction across the different platforms; Lyft's satisfaction rates are much higher at 75.8% in 2023 against Uber's 49.4% because Lyft has more favourable feedback system and driver support system. The study concludes that surge pricing can be effectively addressed when there is a right balance between fair pricing structures and support systems for the drivers as well as communication. The presented results advance the existing research on sustainable practises in the ride-hailing business and offer actionable suggestions for enhancing drivers' satisfaction and fare clarity.

Key Words: Surge pricing, Driver satisfaction, Ride-hailing services, Price transparency, Platform economics, Feedback systems, Direct negotiation, Urban mobility

Background of the Study

The emergence of ride-hailing platforms in the United States has led to the introduction of a strategy called surge pricing, which has attracted both interest and concern from consumers, drivers and regulators (Oviedo, Perez Jaramillo and Nieto, 2021). Some examples of this include surge pricing by Uber which is where prices change depending on the demand and supply in the market. Off-peak fares, for instance, when traveling after midnight on weekends, public holidays or special events, can be three or four times the base fare. Though this system is designed to guarantee driver availability, as researchers revealed, surge pricing can lead to tripling of the number of drivers (Vignon, Yin and Ke, 2023), customer dissatisfaction on perceived excessive fare and fare volatilities is evident.

Surge pricing policy is based on the economic approach from microeconomics in an attempt to equate the demand for riders with the supply of drivers (Browning and Zupan, 2020). By raising the probability of occupying a ride at high-demand times, ride-hailing platforms encourage more drivers to activate their apps, thus decreasing the waiting time for travelers (Besbes, Castro and Lobel, 2020). However, despite the intended efficiency when it comes to reducing losses for consumers, the practice has garnered massive rejection. Some drivers, for instance, charge riders as much as $500 per trip, making the public turn against surge pricing, describing it as inconsistent and secretive (Conger, 2021).

In addition, surge pricing affects not only consumers and their dissatisfaction but also driving and income (Cheska, 2021). Some of the contemporary problems related to drivers include unsatisfactory base wages, legal recourse and the feeling of exploitation whenever surge pricing does not remunerate them fairly. Surveys suggest that it costs between $13 and $15 per hour per driver and there is doubt as to whether ride-hailing can remain economically viable as a career option for everyone in the long run (Cheska, 2021).

The issues with surge pricing also point to a need for balanced approach to meeting different consumer and driver needs. These possibilities actually consist of direct extemporaneous communication between the involved drivers and owners of the ride-hailing applications and the establishment of reactivity mechanisms. The lacunas of this study are as follows: This research seeks to analyze the impact of direct negotiation in dealing with surge pricing issues in the ride-hailing sector in the United States of America. Applying case analysis of similar research and conducting feedback experiments, the study will aim at providing tangible suggestions to enhance fare determination equity and make specific recommendations for achieving fair results for drivers' overall earnings as well.

Objective

- Analyze the extent to which direct negotiations between Uber and Lyft drivers and the company's management can help to minimize surge pricing controversies in New York City.
- Evaluate the effectiveness of the feedback system in increasing Uber and Lyft drivers' satisfaction and their perception of the fairness of earnings distribution in New York City.

Methodology

The method used in this study was a qualitative research method using secondary data. The study was mainly concerned with analyzing the ride-hailing market in New York City, with the main investigation carried out among Uber using surge pricing strategy and introducing a feedback system for drivers. The data will be sourced from the recent industry reports, media articles and other reports published in the last five years. These sources gave an understanding of the current position of ride-hailing firms, the effects of surge pricing on both drivers and consumers, and real negotiations and feedback as ways of solving these problems. Thus, the secondary data of this study helped to reveal the given situation and make valuable conclusions. This form of research provides an avenue through which highly nuanced interactions and issues revolving around surge pricing and possible solutions may be explored.

Results and Discussion
Thematic Analysis

This analysis examines two critical aspects of ride-sharing services in NYC: the role of direct negotiations on surge pricing issues and the ability of feedback mechanisms to influence drivers' satisfaction. Analyzing the data from 2019-2024, the study identifies the differences between Uber and Lyft's strategies, with the problems identified in the pricing strategy for the services and the concerns regarding the drivers support systems, and considers the possible solution through the development of structured negotiation and the clarity of the feedback channels.

Objective 1: Analysis of Direct Negotiations' Impact on Surge Pricing Controversies
Theme 1: Driver Empowerment and Financial Stability

The two facts unveiled by the data mentioned above are the correlation between the fare increases and the driver's compensation is rather noticeable and a shift in the latter significantly outpaces the former. Passenger fare rose by 50 percent from February 2019 to April 2022, whereas median driver pay rose by only 31 percent (Abraham, 2023). They could be useful in correcting this problem by providing drivers with a greater say in fare determination. Some of the drivers complain that they prefer a stable income as opposed to unpredictable surge pricing; they consider the present model a 'bet' (James, 2023). This is because successful experiences from the cities that have driver unions, such as LA and Seattle, show how structured bargaining can result in better wage distributions coupled with low reliance on surge pricing.

Theme 2: Crisis Response and Public Relations

Larger events draw attention to the need for improving the management of surge prices during calamities better. Fares were raised to $70 from the affected areas during the Brooklyn subway shooting in April 2022; the public got angry, and the policy was reversed at some point (Montebello, 2022; Gibson, 2022). In the same way, surge pricing was similarly criticized to light a regulatory intervention during Hurricane Ida in September 2021 (JBA Risk Management, 2024). It is believed that direct negotiations may allow the setting up of specific patterns of handling crisis situations, which might help avoid crises that could negatively impact the company's reputation and lessen people's protests.

Theme 3: Regulatory Compliance and Consumer Protection

The emerging regulatory environment is tending to pay more attention to consumer protection. State senators and assembly members in New York presented bills in 2023 to limit surge prices to two times the basic fare during disasters (Troutman, 2023). The Attorney General's office has also stepped-up investigations into this related vice of price manipulation (James, 2023). In direct negotiation, it was possible for companies to take the initiative in establishing pricing policies that adequately address the regulatory concerns as well as organizational dynamicities without much restriction.

Theme 4: Market Dynamics and Customer Satisfaction

Current statistics reveal that prices of NYC ride-hailing have been raised by around 35 percent above pre-COVID figures; the results are customer dissatisfaction (Abraham, 2023). The pandemic period (2020-2024) showed how rapidly changing demand affects the market and no one, both drivers and riders, is ready for that (Wang, Miao, Liu, Deng & Cao 2022). It is believed that direct negotiations could initiate more reasonable pricing strategies, considering both the principles of the efficient market and the affordability of the final price for the customer. This is further evidenced by a Carnegie Mellon University study estimating that more than half of the interviewed drivers do not rely on existing surge pricing stimulus (Hu, Ley, Castle, & Anderson, 2023).

Every theme shows how direct negotiations could potentially solve some of the aspects regarding the surge pricing issue while ensuring business sustainability and all the stakeholders. There is a hint of the fact that a more integrative strategy could result in the development of mutually beneficial problem solving.

Objective 2: Evaluation of Feedback System's Effect on Driver Satisfaction

Theme 1: Driver Satisfaction Trends and Platform Differences

New data shows differences in driver satisfaction with certain platforms. Overall, Uber feedback ratings dropped significantly, leaving the 2023 indicator at 49.4% against 80% in 2020 (Statista Research Department, 2023; HyreCar, 2024). This such a big drop raises question marks over their feedback and support mechanisms.

On the other hand, Lyft kept notably greater satisfaction rates; the satisfaction in 2023 was 75.8% among drivers (HyreCar, 2024). The same holds true for earnings perception, where 65% of the Lyft drivers indicated that they deemed their earnings to be fair, and a figure lower than the 45% recorded of the Uber drivers (Morris, Zhou, Brown, Khan, Derochers, Campbell, Pratt & Chowdhury, 2020). These differences suggest that the framework of feedback and driver support, which Lyft uses, may provide for a better experience for drivers.

Theme 2: Multi-Channel Feedback Infrastructure

There are detailed feedback systems on both applications that include post-ride ratings, in-app surveys, clients' support services, and enhanced data analysis (Jain, 2024; Statista, 2023). These integrated systems allow constant assessment and enhancement of the services given to customers and drivers at the same time drivers have several outlets through which they can voice their complaints.

The two-way feedback mechanism has been highly useful, especially for drivers, who are able to rate passengers with certain behaviours that they find undesirable. This feature assists in keeping equity and safety, thus positively impacting the balanced service relationship (Alonso, 2023). The elaborate nature of these systems shows that both platforms are willing to gather valuable feedback for service enhancement.

Theme 3: Real-Time Response Capabilities
The use of real-time alerts to provide critical feedback has improved enhancement of both platforms to attend to these concerns by drivers. The ability to deliver this kind of immediate response has had measurable positive impacts on average driver satisfaction and motivation rates (Jain, 2024; Alonso, 2023).

In order to facilitate the feedback processes in the companies, both have incorporated the incentive system of providing incentives for responding to the feedback forms. The above approach has contributed to the acquisition of broad data and enhanced service changes (Jain, 2024). This new setup is more dynamic and responsive as a result of the rapid response capabilities and incentivized participation.

Theme 4: Differential Support Approaches
The strategies that Uber and Lyft both used in the development of their feedback systems have yielded quite dissimilar results. Lyft seems to have a better strategy of handling its drivers than Uber since its feedback mechanisms are more supportive than Uber's strict metrics, whereby Lyft's drivers have higher satisfaction rates (HyreCar, 2024).

Those differences indicate that it is not only the level of technical solutions that defines the performance of feedback systems but also the degree of their interactions with other types of driver support systems. Lyft's more supportive approach shows that anyone in the gig economy should implement supportive touch points in addition to feedback mechanisms.

The findings suggest that while both sites have developed complex feedback systems, the efficiency of the feedback differs depending on the approach taken to system implementation and its interaction with other support initiatives. While it may be that technical feedback mechanisms are not only sufficient but also necessary to manage perceptions of earnings fairness, Lyft's more supportive and responsive approach seems better equipped at sustaining driver satisfaction and therefore must be complemented by robust driver support mechanisms to be effective.

Discussion
The discussion presents the findings in relation to the study objectives and background issues on surge pricing concerns in the services offered by ride-hailing firms. Thus, it is found that whilst passenger fares have gone up by 50% between 2019-2022, the median driver pay has only gone up by 31% (Abraham, 2023). This tallies with the background issues of discontent and eradicating exploitation of drivers that Cheska (2021) has pointed out.

The numbers indicate the difference in drivers' satisfaction by platform; Uber, for instance, for feedback rating is 49.4% in 2023, down from 80% in 2020, while Lyft holds 75.8% (HyreCar, 2024). This relates to the driver's discontentment and income questions observed by Cheska (2021), where the viability of ride-hailing was questioned.

Studies on crisis response show that there is still a problem with the implementation of surge pricing during crises, which was evident when fares reached $70 after the Brooklyn subway shooting incident (Montebello, 2022). This corresponds to Conger's (2021) background observation that people have rejected surge pricing as unfair and duplicitous. The data supports the apprehensions captured regarding the overly high fares; the NYC ride-hailing prices have now risen to 35% higher than the pre-pandemic rates.

This research approach proved suitable for exploring these dynamic relations as it provided vast understanding of the experience of the drivers and the pricing structure. This approach was consistent with the requirement of analyzing more detailed relations between drivers, platforms, and pricing, as was suggested in the background section discussing such microeconomic concepts as demand and supply (Browning and Zupan, 2020).

Thus, the findings supplement Besbes, Castro and Lobel's (2020) hypothesis about surge pricing and driver availability, though they show its drawbacks. For example, the Carnegie Mellon study revealed that more than half of interviewed drivers do not get motivated by surge pricing incentives, although, according to Vignon, Yin, and Ke (2023), surge pricing could increase drivers' numbers thrice.

The measures that both the platforms have taken to narrow down the communication gaps highlighted in the background section include the development of multichannel feedback infrastructure (Jain, 2024). However, the difference in satisfaction between Uber and Lyft drivers indicates that feedback mechanisms may not suffice to solve the problem of fairness or dissatisfaction as the background of the study describes it.

Conclusion

The paper provides the analysis of the interaction between surge pricing and the satisfaction levels of ride-hailing services. Research evidence indicates a lack of proportionality between fare hikes and the drivers' remunerations, while digitally enabled platforms such as Lyft avail better measures for support. The study also shows how and to which extent surge pricing affects drivers and customers most of the time in emergencies. Even though the opportunities provided by feedback systems and direct negotiation seem promising, the success differs from one platform to another, which proves that the efficient functioning of ride-hailing requires the balance of fair tariffs, as well as effective support for drivers and stabilization of communication channels.

Recommendation

- **Adopt Tiered Surge Pricing Structure**
  The companies should implement different tariff levels with easily understandable and predictable upper limits. They could have lower multipliers in the normal peak time (during the range of 1.2-1.5) and allow higher tariffs during special occasions, which range up to 2x. A product or service price should be restrained to the base rate, especially during disasters, to achieve saverly objectives and uphold goodwill.

- **Improve the Accuracy of Driver Compensation Disclosures**
  Digital marketplaces need to explain how earnings are calculated and surge rates in the application interface. This should involve real-time information on area demand, anticipated

earnings, as well as straightforward description(s) of how surge pricing impacts pay for the driver. It must provide weekly and monthly earnings reports with detailed analysis.

- Develop Communication Structure between Drivers and Platform
  Stabilize structured, informative and consultative monthly fora for discussion on pricing with the platform management. This should involve regular virtual town meetings, regional reps, call-ins, and other direct-contact lines for two immediate concerns: too high, too low, etc.

- Create Protocols Specific to Each Crisis
  Develop case by case, weather events, or public safety incidents, major disruptions, etc., with standard changes in prices and informing. Those should start on their own when certain conditions are met.

- Develop a Hierarchical Feedback System
  Promulgate rating management with teeth that will consist of post-ride ratings, weekly surveys, and quarterly surveys. This should be accompanied by another point system from a feedback program to be given to those that have been actively participating in feedback programs for the school.

- Institute Fair Earnings Guarantee
  During peak periods, put in place floor salaries to guarantee that they too get to form part of the benefits from increased orders. This should encompass basic fees plus fairly calculated fixed high-demand extra charges.

- Weather and event integration
  Design a specific system that would predict increased demands due to weather, a local event, and past trends. This information should be made available to the drivers in order for them to know when to be on the field to get the most commissions.

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