

“The Value of Time: Evidence from Auctioned Cab Rides”

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Audience Q&A

Q Juan S. Pereyra: Do drivers observe passenger characteristics (for instance photo)?

A Laura Doval: Hi! They see the origin and destination. I don't recall if they see pictures.

Q Julien Combe: Just to get an idea of the demand side: are clients mainly tourists/professionals or do local people use also a lot this app ? So do drivers see or guess this to make their offer to extract surplus?

A Laura Doval: The app is used mostly by locals.

Q Shankaranarayanan Gopalan: Waiting time will depend on the emergency of the situation, so is the platform going to show an inflated price under such situations ?? eg. let's say trip to hospital, airports railway stations.

A Laura Doval: The drivers set prices and they can condition on the destination. So presumably they could infer that if you are going to the hospital/airport you may be in a rush.

Gopalan: On what factors will the price be inflated if so or let us they are travel through a heavily congested route?

Doval: Hi Shankaranarayanan, I think your question came up all broken up :(

Just to be sure:

- drivers know the origin and destination of the requested ride, in particular, they know how far they are from the rider

- waiting time is “estimated time to arrival” of the driver to the rider

so in particular, if the driver knows he needs to go through a heavily congested route he knows that the ETA is high

And the riders receive the Google API calculated ETA.

Gopalan: My query was related to how much of the cost will be inflated and what will be the benchmark on which this will be decided keeping in mind the benefit of the passengers so that it is a win-win situation for both the parties.

Doval: Are you asking how much the closest driver increases his price given that they know they are close? Most of the rides in our sample have a trade-off: the cheapest ride is not the closest one. However, keep in mind that the drivers themselves do not know how close the other drivers who are competing for the price so it is not clear that the closest driver will be able to charge the price that makes the consumer indifferent between taking that ride and the cheaper but higher ETA one.

Gopalan: What would be the contingency plan in case of Unobserved shocks such as car breakdowns, highway traffics etc.? How would the reallocation to different taxi and how would the price decomposition between the first and the second driver work in that case in the model mentioned.

Doval: I should look into this, but I think that in this case, the ride gets canceled and the passenger (if they still want to ride on the app) needs to request a new ride. I don't think this is a worry in our sample though.

Gopalan: Wouldn't the value of time be affected under such conditions? how would the model vary in case of a place where the demand is in its nascency, the customer base is still under development, how would the model vary in that case?

Doval: What do you mean by "such conditions"? We allow value of time to vary across locations, time of day, and individuals.

Gopalan: I meant in case of car breakdowns or highway traffics for which you say the ride gets cancelled, however wouldn't the value of time in that case reduce, because customer satisfaction is reduced in this case isn't it?

Doval: As I said, this is not relevant in our sample. If anything, this could be like a negative shock to the value of time at the origin because I am now waiting outside instead of inside where I could do something else.

Q Alireza Amanihamedani: Is the duration of the trip constant over time?

A Doval: We are assuming that for the trips in your choice set the length of the trip is independent of the driver that you get. This makes sense for us.

- all drivers use the same route (Google Maps)
- the variation in the ETAs is not so high that this would not be possible