

# Lyft's new CEO tackles a job requiring some heavy lifting

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Lyft CEO David Risher poses for a photo at the company's headquarters on Wednesday, March 29, 2023, in San Francisco. Even before he joined Lyft's board in 2021, Risher had taken hundreds of trips as a passenger so he felt like he knew a lot about the ride-hailing service. Credit: AP Photo/Michael Liedtke

Even before he joined Lyft's board in 2021, David Risher had taken

hundreds of trips as a passenger so he felt like he knew a lot about the ride-hailing service. But he never expected to be thrust into the driver's seat at a time when Lyft was running like a jalopy.

"I really was gobsmacked," Risher said during an interview with The Associated Press as he recalled being recently asked to [replace Lyft co-founder Logan Green as CEO](#).

Risher quickly shook off his initial shock and is now making an effort to reverse the San Francisco company's mounting losses and sagging stock price. Just days after taking over as CEO, Risher came up with a restructuring plan that includes laying off nearly 1,100 employees whose job losses could help him attain stock price incentives potentially worth nearly \$1 billion.

Like any mass layoff, the payroll purge will uproot the lives of those suddenly out of a job while sowing uncertainty among Lyft's remaining 3,000 employees. But Risher believes the deep cuts had to be done so Lyft can afford to bring down its fares to the same levels as its longtime rival, ride-hailing leader Uber, which has rebounded from the pandemic much more robustly.

"It's very important to our customers that when they open both (the Uber and Lyft) apps that they are not surprised by the prices being super different," Risher said. "We want to be in line with where Uber is."

The cost-cutting also will help Lyft pay drivers better, another element that Risher believes is needed for the service to offer more rides with quicker pick-up times.

Mobile tracking data compiled by wireless network testing firm GWS found Lyft's driver app now averages about 400,000 daily usages—half its pre-pandemic levels—while Uber's driver app boasts about 1.4

million daily users, roughly the same number that it had leading up to the pandemic.

More details about Risher's turnaround strategy are expected Thursday when Lyft releases what are expected to be lackluster financial numbers for the first three months of the year.

The problems facing Risher are an offshoot of pandemic-driven restrictions that dramatically curtailed travel during most of 2020 and much of 2021, shriveling demand for rides on Uber and Lyft.

But Uber had something that Lyft didn't—a food delivery business that had been aggressively expanding under Dara Khosrowshahi, who Uber hired in 2017 to clean up a mess that its previous CEO Travis Kalanick had created. Uber's disarray had also alienated many of its passengers, [helping Lyft to steadily gain market](#) share leading up to the pandemic in March 2020.

Khosrowshahi's decision to transform Uber into a "go wherever you want, get whatever you need" operation paid off during a pandemic that ignited explosive growth in food delivery. That demand kept millions of people using Uber's app even when they weren't going anywhere, forming habits that helped Uber's ridership return to pre-pandemic levels while Lyft fell out of favor.

"No one was opening their Lyft app, so when the world reopened it just seem easier to get an Uber," said Tom White, an analyst for D.A. Davidson.

Because Uber's food delivery service also helped retain drivers on its platform during the pandemic, that made it more difficult for Lyft to lure them back when the pandemic eased. The driver shortage was compounded by a fare structure that resulted in its service frequently

demanding significantly higher prices for the trips than Uber—a gap that consumers who kept both apps on their phones could quickly see.

Brian Blitzstein used to drive for Lyft but says he is now focused primarily on Uber because of all the ridership momentum that it gained from its food delivery service during the pandemic. But he could be convinced to come back to Lyft if he earns more pay.

"Money talks," Blitzstein, 39, said. "But I definitely think it's going to be challenging for Lyft. Are they going to be cutting down to the bone? That would be like cutting off your arm to lose weight."

The widening chasm between Uber and Lyft has been showing up in their respective financial results. Uber shares surged nearly 12% Tuesday's after the company more ridership, food delivery and revenue gains during the first three months of the year.

Under a benchmark tracked by investors known as "adjusted earnings before interest, taxes, depreciation and amortization," Uber posted a profit of \$1.7 billion last year while Lyft sustained a loss of \$406 million and management in February issued an outlook that made things look like they were worsening. Uber posted a \$761 million profit during the January-March period under the same metric, more than quadrupling from a year ago.

That's one of the key reasons that Lyft's stock has lost two-thirds of its value during the the past year while Uber's shares have climbed 20%.

The stark difference led [Green, Lyft's long-time CEO, and fellow co-founder John Zimmer to step down](#) from day-to-day management to make way for Risher, best known for helping lay the foundation Amazon's e-commerce empire as the company's top U.S. retail executive in its early days. His contributions were so significant that Amazon

founder Jeff Bezos wrote him [a thank you note](#) that's posted on the company's website as a permanent tribute.

But before Lyft asked him to take over as its CEO, Risher had spent more than a decade running Worldreader, a non-profit organization devoted to helping young children learn to read.

That made Risher seem like a puzzling choice to many investors wondering "what can this guy do," White said. "Wall Street doesn't know a ton about him."

Risher's hiring initially spurred speculation that he may be grooming Lyft for a sale, but he doesn't think that makes sense while the company is still struggling.

"Let's put it this way: We will be more valuable as a partner of any type organization if we have a business that's 10 times bigger and profitable," Risher said.

Risher, 57, will make a huge windfall if he can turn things around. Besides paying Risher a \$3.25 million signing bonus on top of a \$725,000 salary, Lyft awarded him an incentive package consisting of 12.25 million shares of stock that will vest when the shares hit a range of staggered price targets. If Lyft's stock rises from its recent price hovering around \$10 and hits nine targets ranging from \$15 to \$80, Risher will reap about \$980 million, estimated the investment research management firm VerityData.

For now, Risher is focused on ensuring Lyft remains a viable alternative to Uber.

"There was a loss of Lyft relevance," Risher said. "So now it becomes our challenge to say, 'Hold on, we're back and we are a really important

choice."

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