



**THE SHIFT**

# *Farewell, Millennial Lifestyle Subsidy*

The price for Ubers, scooters and Airbnb rentals is going up as tech companies aim for profitability.

---



**By Kevin Roose**

June 8, 2021

A few years ago, while on a work trip in Los Angeles, I hailed an Uber for a crosstown ride during rush hour. I knew it would be a long trip, and I steeled myself to fork over \$60 or \$70.

Instead, the app spit out a price that made my jaw drop: \$16.

Experiences like these were common during the golden era of the Millennial Lifestyle Subsidy, which is what I like to call the period from roughly 2012 through early 2020, when many of the daily activities of big-city 20- and 30-somethings were being quietly underwritten by Silicon Valley venture capitalists.

For years, these subsidies allowed us to live Balenciaga lifestyles on Banana Republic budgets. Collectively, we took millions of cheap Uber and Lyft rides, shuttling ourselves around like bourgeois royalty while splitting the bill with those companies' investors. We plunged MoviePass into bankruptcy by taking advantage of its \$9.95-a-month, all-you-can-watch movie ticket deal, and took so many subsidized spin classes that ClassPass was forced to cancel its \$99-a-month unlimited plan. We filled graveyards with the carcasses of food delivery start-ups — Maple, Sprig, SpoonRocket, Munchery — just by accepting their

offers of underpriced gourmet meals.



MoviePass was overwhelmed when it allowed subscribers to see movies in theaters as often as once a day for \$10 a month. Vincent Tullo for The New York Times

These companies' investors didn't set out to bankroll our decadence. They were just trying to get traction for their start-ups, all of which needed to attract customers quickly to establish a dominant market position, elbow out competitors and justify their soaring valuations. So they flooded these companies with cash,

which often got passed on to users in the form of artificially low prices and generous incentives.

Now, users are noticing that for the first time — whether because of disappearing subsidies or merely an end-of-pandemic demand surge — their luxury habits actually carry luxury price tags.

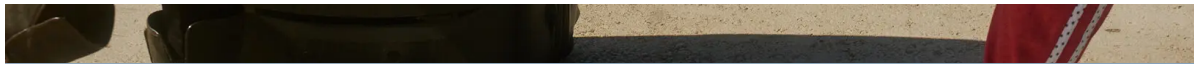
“Today my Uber ride from Midtown to JFK cost me as much as my flight from JFK to SFO,” Sunny Madra, a vice president at Ford’s venture incubator, recently tweeted, along with a screenshot of a receipt that showed he had spent nearly \$250 on a ride to the airport.

“Airbnb got too much dip on they chip,” another Twitter user complained. “No one is gonna continue to pay \$500 to stay in an apartment for two days when they can pay \$300 for a hotel stay that has a pool, room service, free breakfast & cleaning everyday. Like get real lol.”

Some of these companies have been tightening their belts for years. But the pandemic seems to have emptied what was left of the bargain bin. The average Uber and Lyft ride costs 40 percent more than it did a year ago, according to Rakuten Intelligence, and food delivery apps like DoorDash and Grubhub have been steadily increasing their fees over the past year. The average daily rate of an Airbnb rental increased 35 percent in the first quarter of 2021, compared with the same quarter the year before, according to the company’s financial filings.

Part of what’s happening is that as demand for these services soars, companies that once had to compete for customers are now dealing with an overabundance of them. Uber and Lyft have been struggling with a driver shortage, and Airbnb rates reflect surging demand for summer getaways and a shortage of available listings.





Travelers at Los Angeles International waiting for ride-hailing vehicles at the airport's pickup lot last month. David Lopez Osuna for The New York Times

In the past, companies might have offered promotions or incentives to keep customers from getting sticker shock and taking their business elsewhere. But now, they're either shifting subsidies to the provider side — Uber, for example, recently set up a \$250 million “driver stimulus” fund — or doing away with them altogether.

I'll confess that I gleefully took part in this subsidized economy for years. (My colleague Kara Swisher memorably called it “assisted living for millennials.”) I got my laundry delivered by Washio, my house cleaned by Homejoy and my car valet-parked by Luxe — all start-ups that promised cheap, revolutionary on-demand services but shut down after failing to turn a profit. I even bought a used car through a venture-backed start-up called Beepi, which offered white-glove service and mysteriously low prices, and which delivered the car to me wrapped in a giant bow, like you see in TV commercials. (Unsurprisingly, Beepi shut down in 2017, after burning through \$150 million in venture capital.)

These subsidies don't always end badly for investors. Some venture-backed companies, like Uber and DoorDash, have been able to grit it out until their I.P.O.s, making good on their promise that investors would eventually see a return on their money. Other companies have been acquired or been able to successfully raise their prices without scaring customers away.

Uber, which raised nearly \$20 billion in venture capital before going public, may be the best-known example of an investor-subsidized service. During a stretch of 2015, the company was burning \$1 million a *week* in driver and rider incentives in San Francisco alone, according to reporting by BuzzFeed News.

But the clearest example of a jarring pivot to profitability might be the electric scooter business.

Remember scooters? Before the pandemic, you couldn't walk down the sidewalk of a major American city without seeing one. Part of the reason they took off so quickly is that they were ludicrously cheap. Bird, the largest scooter start-up, charged \$1 to start a ride, and then 15 cents a minute. For short trips, renting a scooter was often cheaper than taking the bus.

But those fees didn't represent anything close to the true cost of a Bird ride. The scooters broke frequently and needed constant replacing, and the company was shoveling money out the door just to keep its service going. As of 2019, Bird was losing \$9.66 for every \$10 it made on rides, according to a recent investor presentation. That is a shocking number, and the kind of sustained losses that are possible only for a Silicon Valley start-up with extremely patient investors. (Imagine a deli that charged \$10 for a sandwich whose ingredients cost \$19.66, and then imagine how long that deli would stay in business.)

Pandemic-related losses, coupled with the pressure to turn a profit, forced Bird to trim its sails. It raised its prices — a Bird now costs as much as \$1 plus 42 cents a minute in some cities — built more durable scooters and revamped its fleet management system. During the second half of 2020, the company made \$1.43 in profit for every \$10 ride.



The scooter boom in the Mission Beach area of San Diego almost two years ago. Tara Pixley for The New York Times

As an urban millennial who enjoys a good bargain, I could — and frequently do — lament the disappearance of these subsidies. And I enjoy hearing about people who discovered even better deals than I did. (Ranjan Roy’s essay “DoorDash and Pizza Arbitrage,” about the time he realized that DoorDash was selling pizzas from his friend’s restaurant for \$16 while paying the restaurant \$24 per pizza, and proceeded to order dozens of pizzas from the restaurant while pocketing the \$8 difference, stands as a classic of the genre.)

But it’s hard to fault these investors for wanting their companies to turn a profit. And, at a broader level, it’s probably good to find more efficient uses for capital than giving discounts to affluent urbanites.

Back in 2018, I wrote that the entire economy was starting to resemble MoviePass, the subscription service whose irresistible, deeply unprofitable offer of daily movie tickets for a flat \$9.95 subscription fee paved the way for its decline. Companies like MoviePass, I thought, were trying to defy the laws of gravity with business models that assumed that if they achieved enormous scale, they'd be able to flip a switch and start making money at some point down the line. (This philosophy, which was more or less invented by Amazon, is now known in tech circles as “blitzscaling.”)

There is still plenty of irrationality in the market, and some start-ups still burn huge piles of money in search of growth. But as these companies mature, they seem to be discovering the benefits of financial discipline. Uber lost only \$108 million in the first quarter of 2021 — a change partly attributable to the sale of its autonomous driving unit, and a vast improvement, believe it or not, over the same quarter last year, when it lost \$3 billion. Both Uber and Lyft have pledged to become profitable on an adjusted basis this year. Lime, Bird's main electric scooter competitor, turned its first quarterly profit last year, and Bird — which recently filed to go public through a SPAC at a \$2.3 billion valuation — has projected better economics in the years ahead.

Profits are good for investors, of course. And while it's painful to pay subsidy-free prices for our extravagances, there's also a certain justice to it. Hiring a private driver to shuttle you across Los Angeles during rush hour *should* cost more than \$16, if everyone in that transaction is being fairly compensated. Getting someone to clean your house, do your laundry or deliver your dinner *should* be a luxury, if there's no exploitation involved. The fact that some high-end services are no longer easily affordable by the merely semi-affluent may seem like a worrying development, but maybe it's a sign of progress.

Kevin Roose is a technology columnist and the author of “Futureproof: 9 Rules for Humans in the Age of Automation.”

@kevinroose • Facebook

A version of this article appears in print on , Section B, Page 1 of the New York edition with the headline: Farewell, Millennial Lifestyle Subsidy