

China's bike-sharing firms continue to jostle for market share, even as intense competition, vandalism mar growth

By DAVID HO in Hong Kong  
For China Daily Asia Weekly

Jeffrey Hu, an intern at a biotech company in Hangzhou, East China's Zhejiang province, has noticed the large number of people in his neighborhood who use bike-sharing services. "I start work a bit later than others. So, even though there are plenty of bicycles from bike-sharing services under my apartment block early in the morning, most of them are gone after 9 am," said the 22-year-old. "Then they all come back after office hours have ended."

Hu, who has used the bikes to get around in Hangzhou and Shanghai, describes them as "extremely convenient".

But that convenience may be short-lived if the issue of vandalism is not nipped in the bud.

Two of the world's largest bike-sharing companies have fished out more than 3,000 bicycles between them from rivers in southern China. In just two weeks, Mobike collected more than 1,000 bicycles dumped in rivers in the central part of Guangzhou, capital of South China's Guangdong province.

The cleanup operation is similar to an exercise in April by its bike-sharing rival Ofo, which found nearly 2,000 bikes during its cleanup run.

Bicycles, once a common sight and mode of transport in Chinese cities, have largely been displaced by improved public transportation. In recent years, bike-sharing service providers have brought them back on the streets of China.

"The unique business model developed by Ofo and Mobike is unlikely to flourish in cities where the risk of vandalism and larceny is high," said Thibaud Andre, Beijing-based research manager at Daxue Consulting.

"Some of the bikes that circulate through Chinese megacities are also damaged or stolen. Hangzhou's own fleet is victim to casual vandalism, despite its featuring hardier bikes and means of anchoring cycles to the terminal."

According to Daxue, the acts of vandalism have even spawned a side industry of 'bicycle hunters', people who are paid to repaint license plates and to report the numbers of bikes out of service or damaged.

On April 27, 2017, 10 Chinese bike-sharing companies, including Ofo and Mobike, signed an agreement with the National Development and Reform Commission and the State Information Center authorizing the sharing of user data.

The companies expect the agreement to help reduce vandalism and indiscriminate parking. The compa-



Staff of bike-sharing service Ofo examine the company's bicycles in Xiangyang, Central China's Hubei province, on Jan 1. Bike-sharing companies have brought bicycles back to the streets of China but face intense market competition. IMAGINECHINA

## PEDAL POWER

nies involved will be able to share user credit data and have access to government databases via the Credit China website.

As a result, users with poor credit will have to deal with limits on how often they rent bicycles, while those with better credit will enjoy more benefits.

Another challenge for bike-sharing companies is that there may just be too many of them.

In September 2017, Xinhua News Agency reported 2.35 million for-hire bikes from 15 companies were on the streets of Beijing alone.

Despite the sheer number of bikes already on the roads, bike-sharing companies continue jostling for market share — to convince cyclists to hop on. Mobike recently refunded deposits and waived the need for deposits for all customers in China.

"Mobike announced that it will remove and refund deposits to all users in China in July. In total, Mobike will enable refunds for more than 230 million registered users in China as the company abolishes its deposit scheme," said Li Ting, public relations manager for Mobike.

Li said that Singapore would also be a deposit-free city for its service.

"The move is designed to establish a no-threshold, zero-burden and zero-condition, deposit-free standard for the entire bike-sharing industry," she explained.

But cutting out potential sources of funds, such as deposits, may be paving the path for an uphill ride ahead.

"Ofo and Mobike, like JCDecaux and Smoove (a French startup that

developed a connected bike-sharing system) and most public-private bike-sharing programs, face the same issue of profitability: users' contribution to program funding is too small to make facility setting (when they apply for membership) and maintenance profitable," said Andre of Daxue Consulting.

Andre said the yearly cost of operating a single bike is estimated at 3,267 euros (\$3,850) in the southern French city of Marseille. This is a big number, even for a company like JCDecaux, a French multinational known for public space ads and its bike-sharing service.

"Even for JCDecaux, it took the group seven years altogether to turn a profit on this activity, despite its innovative financing model based on the acquisition of advertising spaces in cities in exchange for bike-sharing stations," said Andre.

And he does not think it is any easier in China to turn a profit, despite the widespread popularity of bike-sharing.

"In China, such programs are integrally funded by the State. The Yongjiu (Forever) bikes in Shanghai, the fourth most-shared bike fleet worldwide that owns 200,000 units, just reached the balance point," said Andre.

"Even though Ofo and Mobike only have to handle their fleet, neither company is in the black, and given the 1 or 2 yuan price per ride, this may not happen soon. In November 2016, the founder of Mobike said it was too soon to think about making a profit."

Ofo and Mobike are the two mar-

ket leaders in China, but have faced a glut of competitors including U-Bicycle, Xiaoming, Bluegogo and Qibei. But amid the tough market conditions, Bluegogo was reported in November 2017 to be the industry's first big casualty, collapsing under the weight of financial difficulties.

Of course, those involved in the sector are adamant that bike-sharing services are here to stay because of the solutions they provide to transportation issues.

"Bike-sharing will help solve the 'last-mile travel problem' (the issue of getting to a public transportation point) and effectively compensate for public transport blind spots. In 2017, a big data study by Mobike and Baidu Map showed that bike-sharing effectively compensated for 99.34 percent of the bus blind spots in Shenzhen after Mobike bicycles were introduced," said Mobike's Li.

Besides solving transportation issues, it is also a way to get people to be more active.

In a 2017 bike-sharing industry white paper with Tsinghua University and the Beijing Tsinghua Tongheng Urban Planning & Design Institute, Mobike said that bike-sharing has helped double the rate of cycling, which now accounts for 11.6 percent of total transportation versus just 5.5 percent 12 months earlier. In the 19 months to November 2017, Mobike's 200 million users worldwide had collectively cycled over 18.2 billion kilometers.

More bikes on the road also make for a more environmentally friendly means of getting around.

"After the advent of bike-sharing, getting around through this service has become an efficient way of travel that many people like, effectively increasing the green travel rate," said Li.

She added that in its first 19 months of operations, the Mobike service, globally, had reduced CO2 emissions by more than 4.4 million tons, equivalent to taking 1.24 million cars off the road for a year.

Li cited that as one of the reasons Mobike was named among the 2017 Champions of the Earth by United Nations Environment.

"When we first started Mobike, our goal was to change cities by making bikes available to everyone. The humble bicycle can not only change people and cities, but can also help change the world — both as a universal symbol of peace, and as a weapon in the fight against climate change," said Hu Weiwei, the founder and president of Mobike, upon receiving the award at a special ceremony during the Third Annual UN Environment Assembly in Nairobi, Kenya, last December.

"Indeed, we believe that innovation, technology and public participation are essential to meeting the United Nations Sustainable Development Goals.

"That is why we would like to invite governments, NGOs, cities, communities and businesses to join us at Mobike — together with the United Nations — to embrace bike-sharing and create a pedal-powered green economy for the future," Hu said.