No easy ride for bike-sharing firms

Diverse user habits, demands and regulatory woes cause Chinese companies to hit the brakes in global markets

By DAVID HO

Thousands of bicycles of bike-sharing service Mobike are lined up at an open space in Yinchuan, Northwest China's Ningxia Hui autonomous region, on Jan 17. IMAGINECHINA

Mobike's orange bicycles started appearing in the western Indian city of Pune in May.

At an event on Senapati Bapat Road, in the heart of the city, Pune officials and local dignitaries joined the Chinese bike-sharing company for a ribbon-cutting and ceremonial signing of the first Mobike of India.

"We are thrilled to call Pune our first home in India. Mobike is committed to developing a global bicycle-share culture by collaborating closely with cities in India," said Mark Lin, head of international operations at Mobike.

"Having lived in India for several years, I can fully appreciate the positive impact that a smart bicycle-share culture will bring to the residents here. Our rollout in Pune is just the start of this journey."

Shortly after, Mobike's services were extended to other Indian cities, including New Delhi, Bangalore and Ahmedabad.

Mobike is not the only Chinese company trying to expand to new territories.

Beijing-based Ofo's station-free bikes that use a mobile app to unlock and pay for the bikes have been launched in the city of Paris.

Ofo's rollout is a bid by the Chinese bike-sharing company to take the place of Velib, a system of bikes throughout the city launched by the municipal government. It was run by JCDecaux until the end of last year, when the Smovengo consortium took over the Velib fleet.

But it has not been a smooth ride for Smovengo as it faced booking app issues, stands breaking down and worker strikes. And when it appeared the main bike-share option in Paris was all but out of commission, other bike-sharing companies looked to enter that market.

"To keep overhead costs manageable, bike-sharing companies need to target areas and countries with a pool of low-wage salary workers available, since the management of the bike fleet still relies a lot on an actual workforce organizing, parking, picking the bikes to be repaired," suggested Thibaud Andre, Beijing-based research manager at Daxue Consulting.

Not all markets fit that criteria, though, and different places come with their own set of challenges.

Chinese bike-sharing companies have hit speed bumps around the globe.

Earlier this year, Ofo withdrew from Australia, Germany and Israel and announced in late July it was closing most of its businesses in the United States.

Its pullouts from Australia and Chicago were due to parking regulations. The move out of Israel was cited as a decision to focus on mature markets, though some media reports blamed it on users' failure to return bikes.

Dai Wei, Ofo's founder and CEO, said in a statement in early July: "While the overseas market grows rapidly, diverse user habits and demands have also created new challenges for us."

Myriad issues in other markets have also caused other bike-sharing companies to stumble.

Hong Kong's Gobee.bike packed up in July this year after facing serious vandalism issues on home territory.

It also backed out of operations in France and Italy earlier this year, reporting that in just four months of operation in France, more than 3,000 of its bikes were damaged and as many as 1,000 stolen.

In July, Singapore bike-sharing firm oBike ended its operations in its home city amid a clampdown by transport authorities aimed at cutting indiscriminate parking. oBike continues to operate in Malaysia, Indonesia, South Korea, Hong Kong and Taiwan.

GBikes, another Singaporean firm, collapsed that same month.

Competition in China is just as fierce. Bluegogo, China's third-largest bike-sharing service provider, went bust in November last year.

Mobike is among companies that have managed to survive the intense competition.

"Mobike has already launched in over 200 cities of 19 countries, including China, UK, US, France, Italy, Singapore, Thailand, Spain, Mexico, Chile and India, etc," said Li Ting, Mobike's public relations manager.

According to Li, continuous technological innovation is one of the many factors that help a bike-sharing company stay afloat.

"As of June 2018, Mobike has submitted 450 patent applications and has obtained more than 200 patents. Through technological innovation, operational efficiency and operating costs are reduced, and better customer service is provided," said Li.

"From the operating track record of the first batch of Mobike bicycles launched in Shanghai in April 2016, we randomly selected a bike and found that it was used by 1,970 people for 2,021 times and ran for 4,850 kilometers without failure in a year," she added.

"Through technological innovations and great product design, we have reliable and durable bikes that can really go the distance. This way, bike-sharing can go on in a sustainable manner. We are proud to share these developments and achievements with cities that will benefit from such a service."

But it takes more than just private innovation to succeed. An ideal bike-sharing market also calls for government support.

"It is necessary for the government and enterprises to jointly promote the construction of bicycle-friendly cities. With comfortable and safe bicycle lanes, sufficient and convenient bicycle parking spots can encourage more and more people to join the cycle" to change cities and make them more sustainable, said Li.

Andre at Daxue Consulting noted some elements that are important for the operational management of these companies.

"Obviously, a (regulatory) environment which will be favorable for private companies to implement their ideas is important, along with access to large venture capital funding," he said.

"It also requires a market with very large urban areas and a strong density of population, to allow for a consistent running of the sharing service and also since their implementation model is based strongly on fast user acquisition."

Andre said the top two Chinese bike-sharing companies have one distinct advantage.

"Mobike and Ofo attract users and cities … through the elimination of stations to take and leave bikes. It improves user experience by removing one of the main constraints of typical bike-sharing systems," he said.

"Constructing and maintaining these stations is costly for both the companies that own them and the cities that operate them. The terminals and stations created by JCDecaux, for instance, require a particularly high level of civil engineering work. Removing them would likely lead to significant costs," Andre added.

"Compared to this model, the system developed by the two Chinese bike-sharing players merely requires an application to geo-localize bikes, unlock them; and third-party applications handle the transaction — no need for more infrastructure."

When combined with support from local governments, these elements help Chinese bike-sharing companies to ride ahead in other territories.

Whether or not their success can be translated overseas, Chinese bike-sharing companies can count on continued growth on their home turf.

According to a report released last year by the Sharing Economy Research Center of the State Information Center, the sharing economy is likely to continue growing.

The report placed the value of China's sharing economy at 3.45 trillion yuan ($500 billion) in 2016. It forecast that the sector will grow at an average annual rate of 40 percent over the next few years to account for more than 10 percent of the country's GDP by 2020.

Transport was highlighted as a sector likely to continue posting strong growth.

"Despite the issues encountered by this business model in China, the enthusiasm for Ofo and Mobike's services among consumers reveals a real demand for sharing and renting in China, as well as an underlying trend," said Andre.