

The Development of Bike Sharing from the Perspective of Sharing Economy--Take Ofo and Mobike as Examples

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Abstract. In the context of sharing economy, the rise of "Internet +", the popularity of smart phone users and the unique advantages of bicycles over cars are necessary conditions for the rise of bike sharing. As an emerging industry, bike-sharing has only been in existence for five years. During this period, the industry has experienced four stages, namely the budding stage, the blooming of a hundred flowers, the explosion of the market and the reshuffle of the industry. After a year of fierce competition, more than a dozen small bike-sharing enterprises have declared bankruptcy or suspension. Now the bike-sharing market tends to be stable, and the original two bike-sharing giants ofo and mobike still occupy a place in the market. Therefore, this paper compares and analyzes the similarities and differences between ofo and mobike in product positioning, operating income and deposit management, and analyzes the reasons for their success.

Introduction

The term "sharing economy" was coined in 1978 by Marcus Felson, a sociology professor at the university of Texas, and Joe L. Spaeth, a sociology professor at the University of Illinois. However, due to the network environment and technical support and other elements in the exploration stage, the sharing economy model in recent years began to get widespread attention and rapid development.

As a new business form developed with the help of network platform and channels, sharing economy separates the right to use resources from the ownership and transfers it to the demander. By fully mobilizing idle resources on the supply side, it can improve the utilization rate of resources and continuously create value, so as to promote the green and sustainable development of social resource utilization.

Literature Review

With the continuous development of economy and technology and the continuous exploration of "Internet+", the technical conditions of the sharing economy have been gradually improved, and bike sharing have emerged under the concept of sharing economy. The emergence of bike sharing has not only changed the way people travel, but also effectively solved the problem of "the last mile". The rapid development of bike sharing covers a wide area. Within a short time after it appeared in the public's sight, the number of bike-sharing enterprises increased rapidly. Many scholars have done a lot of analysis and research on this phenomenon.

A large number of initial input and a wide coverage of bike sharing make the initial input cost of bike sharing more expensive and the future revenue is highly uncertain. Therefore, the business model and profit method of bike-sharing enterprises have become the research content of many scholars Zongbin Liu [1], Rachel Botzman, Lu Rogers [2], Shuo Zhang [3] and other scholars believe that the business model of bike-sharing is a new business model generated by the development of sharing economy, which combines online platform and offline idle resources. Yujie Bao [4], Jiangyuan Guo, Haoran E [5], Xiu Yue, Zhongqiang Liu [6] and other scholars found that deposit and rental fee are the main ways for bike sharing enterprises to make profits. In addition, Zihan Zhou [7] studied the risks faced by bike-sharing enterprises while making profits.

With the booming development of bike sharing, the number of bikes has far exceeded the number of users, and problems such as the mismatch between the distribution of bikes and the distribution of users' needs have gradually emerged. Yujun Yue, Hanhui Hu [8], and other scholars put forward the number of shared cycling super full shared cycling, as a result of using a public resources and daily management, Qiaoqi Gu [9] from a consumer's personal information disclosure, information asymmetry, and security problems, proposed the economic mode of sharing to protect the rights and interests of consumer, and emphasized the social responsibility for consumers.

In the existing literature, few scholars have systematically summarized the development process of bike sharing, and there is no specific analysis on the specific service contents of bike sharing enterprises, such as product quality and deposit guarantee mechanism. In this paper, ofo and mobike are respectively compared and analyzed in terms of product

positioning, operating income and deposit management in bike-sharing enterprises, so as to play a certain reference role for better development of bike-sharing enterprises in the future.

The Development of Bike Sharing

Bike-sharing has only been around for five years, during which time the industry has experienced ups and downs that would take decades for other industries to witness. In general, the development of bike-sharing industry can be divided into the following four stages: budding stage, blooming flowers, exploding market, and industry reshuffle.

Before the emergence of the bike sharing model, bike sharing were basically public bikes led by the government. Users could use them by charging and swiping cards, but they could only be stored in places with fixed pile facilities. In 2014, Wei Dai, a graduate of Peking University, co-founded ofo with four partners, which created the bike-sharing model. In the embryonic stage of the bike-sharing model, there are only a few start-ups in the industry, such as mobike and ofo.

Throughout 2016, the bike-sharing industry developed rapidly and was welcomed in the user market and capital market. At the same time, a large number of similar bike-sharing brands have emerged in the industry, and enterprises in the industry have also obtained a large amount of financing. Bike-sharing has gradually spread from Beijing, Shanghai and Shenzhen to the first and second-tier cities in China. bike sharing are becoming the third most popular way to get around after buses and subways. The industry is in an explosion stage.

In 2017, the bike-sharing industry witnessed a great outbreak. Both supply and demand continued to expand, and the input, coverage of cities, user size and total riding distance of bike sharing all increased substantially. By March 2017, the financing amount of 30 bike-sharing brands in China reached 7 billion yuan. In June and July, mobike and ofo completed the e-round financing of 600 million and 700 million dollars respectively, and the industry as a whole showed a flourishing scene. Judging from the investment and financing scale of the industry, the recent two years have witnessed the intensive financing period for bike-sharing projects, which also reflects the hot development of the whole industry.

Since the second half of 2017, most bike-sharing enterprises have been unable to sustain themselves and started to go bankrupt. In a short period of more than 5 months, at least 6 bike-sharing enterprises closed down or stopped operation, and the amount of new bikes put into use gradually decreased. The investment of capital returned to rationality, and the bike-sharing craze gradually subsided and entered the stage of elimination, integration and stable development.

At present, the bike-sharing market has gradually identified three representative brands --ofo, mobike and harrow -- after experiencing fierce competition from many bike-sharing enterprises. However, in the two years from 2016 to 2018, fewer and fewer bike sharing could be used, and even a large number of bike sharing failed to play their role in facilitating travel, but became obstacles hindering the passage of pedestrians.

Ofo VS Mobike

After the fierce competition in the bike-sharing industry and the process of crazy expansion and launch of bikes, look back at ofo and mobike, which once formed the "duopoly competition pattern", although they all rode the high-speed train of the sharing economy and won the reputation of users and the recognition of investment banks at the beginning of their development, as their development deepened, more and more problems began to be exposed. However, in terms of the development model, the cost of bike sharing is relatively high, and at the same time, there is no effective profit model. As a direct result, although investors invested a lot of money in the initial stage, "no carp can be seen in the water", so the subsequent investment is bound to be unsustainable.

Nowadays, ofo deposit is still unsettled and mobike, another former giant, has also been bought by Meituan. The two giants that pioneered the bike-sharing model are in a very different situation. We will compare the similarities and differences between ofo and mobike from the following three aspects: 1. Product positioning 2. Operating income 3. Deposit management.

Product Positioning In the initial stage of development, ofo mainly focuses on meeting students' rigid demand for "cycling", that is, putting a large number of vehicles and focusing on the speed and number of bicycles. Therefore, the foothold of expanding the market of ofo lies in activating the stock resources of citizens and implementing the "light mode".

At the initial stage of development, mobike mainly aims to meet the elastic demand of white-collar workers for "good riding", that is, to ensure the comfort of a bike at a high cost and pay attention to the quality of the bike. Therefore, mobike uses textured smart bicycles to win the favor of the majority of office workers and implements the "heavy mode".

In the early stage, there was a big gap between mobike and ofo's technical route. However, with the gradual exploration in the market, mobike began to reduce the cost by improving the service life of each bike. Ofo took into account the scrapping speed and maintenance cost of each bike, and gradually improved the quality of each bike. It can be said that the current market is looking for a balance between quality and quantity.

Operating Income Ofo are used more times per cycle per day, with relatively low invested capital, lack of body reinforcement, and adopt chain drive, which increases the risk of chain falling off and the damage rate is high, about 18% to 20%. So its operation cost and maintenance cost are relatively high.

Mobike independently designs its body and model according to the four-year maintenance free standard, with a cost of about 3,000 yuan, which is higher than ofo's. However, the investment in its body makes the product performance better, and the damage rate and maintenance cost are significantly lower than ofo's.

Deposit Management The profit of bike sharing mainly lies in the huge capital pool formed by the deposit and the amount of the user's pre-deposit in his personal account. The pool of money created by large deposits needs to be monitored by a third party if it is to remain independent and secure. Mobike has set up special bank accounts, which are regulated by the bank. While ofo does not disclose how deposits are regulated, so that the bank have no obligation to regulate in the third-party supervision. After the users pay the deposit, the company can transfer the deposit directly to the bike-sharing platform, and the users cannot know the direction of the deposit, which creates conditions for the platform to encroach and misappropriate the users' funds and which is also the fundamental reason why the users of ofo have no hope of getting the deposit.

Conclusion

It took a total of five years for bike sharing to emerge, explode and develop to the present. In less than one year, all kinds of bike sharing have disappeared, leaving only ofo and mobike, the two original giants of bike sharing. From the founder, to the company's management, operation mode, profit model, and corporate social responsibility, a series of factors make ofo and mobike the last survivors after fierce competition in the industry. Although ofo is now in the dilemma that the user's deposit cannot be returned, and mobike is also acquired by Meituan and faced with the fate of changing its name to Meituan bicycles, their innovation and entrepreneurship process is still worth learning and reference, providing valuable experience for the future development of bike-sharing.

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