

Comprehensive Analysis of Shared Bicycle Enterprises in the Shared Economy Mode

—Taking Ofo and Mobike as an Example

Chuanlin Xiao*, Yangyang Long, Yuhang Zheng

Business School Sichuan Agricultural University, Chengdu, Sichuan, China

*Corresponding author

Keywords: Ofo, Mobike, Shared Bicycle Enterprises, Shared Economy

Abstract: The sharing economy is developing rapidly and the industry competition is becoming increasingly fierce. Ofo, one of China's shared bicycle giants, is in crisis, but Mobike is growing steadily. When the shared bicycle market seems to be stabilizing, why are the two giants developing differently? In the paper of analyzing the history of shared economy and shared bicycle development, this paper uses the classic SWOT marketing model to compare the two well-known companies in the shared bicycle field, Ofo and Mobike. Trying to find the reasons for the significant differences between the two companies. Next, discussing the SWOT portfolio of the two companies and speculate on the differences between the operations of the two companies. Finally, I wish that the analysis of this paper can provide new ideas for the current research on the different outcomes of the development of shared bicycle companies.

1. Introduction

Since 2014, with the rapid development of the mobile Internet, China's shared bicycles have emerged, and Mobike and Ofo have gradually become the two giants. Ofo is one of the earliest and largest shared cycling platforms in China. However, at a critical moment from the incremental market to the stock market, Ofo has experienced a more severe crisis. Since June 2018, Ofo has withdrawn from parts of Australia, Germany, South Korea and the United States. In October, it formally withdrew from the Japanese market, and there was media disclosure that it withdrew the deposit cycle extended again. In December, many users went to the headquarters of Ofo to apply for a refund of the deposit. More than 10 million users have queued online to apply for a refund of the deposit[1].

However, in 2018, the situation of Mobike and Ofo is in stark contrast. Mobike received more than \$1 billion in strategic investments in January 2018. In April, Meituan bought Mobike with a 35 percent stake and 65 percent cash. In November 2018, Mobike surpassed Ofo to become the industry's number one active user for 18.61 million months. Ofo even fell into the trap of users squeezing out the deposit^[2]. Ofo is even stuck with users running back deposits. Two companies go hand in hand, take up almost 95% of the market share of the entire industry, why would there be a different development situation?

2. Study context

The concept of sharing economy was first proposed by Joe L Spaeth, a sociology professor at the University of Illinois, and Marcus Felson, a sociology professor at Texas State University, in the 1978 paper Community Structure and Collaborative Consumption: A Routine Activity Approach^[3]. At present, the academic community does not seem to have a unified definition of the connotation, boundaries and models of the sharing economy, however, many research results have appeared at home and abroad. Mainly focused on the following aspects, on the one hand, the discussion of the shared economic form^[4]. On the other hand, the study of consumer behavior in the sharing economy^[5], and some scholars have proposed how to study the sharing economy from a

management perspective, thus providing development advice for enterprises. A review of previous studies found that only a few scholars used two shared bicycle companies as an example for comparative discussion.

3. Ofo's SWOT analysis

With the development of the shared bicycle industry, the company's own resources and external conditions have also changed continuously.

3.1 Ofo's Strengths

The strengths of Ofo are mainly in the following four aspects. The first is the cost advantage. Ofo's cost is about 400 yuan. Compared with Mobike's cost of thousands of dollars, it saves a lot of cost in vehicle manufacturing, which makes Ofo divert this part of its operations into operation management. This strength is also conducive to Ofo's continuous development of the university campus market. Second, the accumulated campus resources in the early stage. The founders and team of Ofo are all closely related to the university campus. In the early days, Ofo's WeChat accumulated a large amount of customer resources and brand reputation. This laid a solid foundation for Ofo's operations. Third, the riding experience comfortable. The good riding environment on campus makes Ofo's materials selection more comfortable. Fourth, the financing. More than 100 enterprises in the shared bicycle industry have been established one after another, and most of them have closed down due to problems such as the break of the capital chain. However, Ofo is well received by investors. According to public information, Ofo's early financing frequency is relatively fast, and the medium-term financing scale shows a large increase. The financing strength not brought enough funds, but brought more market resources to Ofo, which made Ofo avoid being eliminated in the competition.

3.2 Ofo's Weaknesses

Ofo's weaknesses are mainly in the following five aspects. The first is a technical flaw. The company does not have its own technical strengths, and unlocking is based on a mechanical unlock of a fixed password. Not only does the user experience feel poor, but it is also likely that low-quality consumers will remember the mechanical passwords, thus taking the bicycle as their own. Second, bicycle quality defects. Although the bicycle is light and comfortable to ride, it makes Ofo's shared bicycle easy to damage. The company uses chain drives, and most of the models' chains are exposed to the outside and are susceptible to rain and rust. Third, the post-operational strategy cannot adapt to the social market. There are big differences between the social market and the campus market. Fourth, operational management costs. After entering the social market, the company needs specialized personnel for maintenance management, plus the password is easy to remember, Ofo is easily damaged, and the cost of operation management will gradually increase. Last but not least, there is not enough internal management. Due to the company's behavior of purchasing bicycles abroad, the relevant managers use their positions to facilitate corruption and bribery. Enterprises do not regularly carry out anti-corruption and anti-corruption management.

3.3 Ofo's Opportunities

Ofo's opportunities are mainly reflected in the following three aspects. First, consumers have gradually cultivated a low-carbon lifestyle behavior in cycling in their daily lives, and the relevant policies of the Chinese government have helped to continue to expand the shared bicycle consumer market. The "Healthy China 2030" plan outlines the strategic theme of "Building and Sharing, People's Health" to build a healthy China, and exerts strength from both the supply side and the demand side to help China's shared bicycle business^[2]. Second, the international community has also provided new opportunities for the development of the company. Ofo actively participates in various public welfare undertakings and continuously increases the social value of the company. Third, the company replicates the campus market with its unique campus experience, then Ofo is

likely to become the largest campus media for college students worldwide.

3.4 Ofo's Threats

Ofo's main threats have the following three aspects. The first is the increasingly fierce competition in the shared bicycle market. Because the conversion cost of shared bicycles is very low and customers are less sticky, consumers are easily lost. Second, Ofo's supply mechanism is not perfect, because Ofo lacks independent technology, its bicycles are also directly purchased from suppliers, and suppliers can easily cut off the supply of vehicles. Third, a series of social problems. A lot of infrastructure and laws have not yet been implemented, resulting in the problem of random bicycles being randomly stopped and lit up, and occupying a large number of residents' public travel areas.

4. Mobike's SWOT analysis

There is a clear difference between Mobike and Ofo's market positioning. Ofo was born in the campus market, and Mobike is mainly based on young urban workers.

4.1 Mobike's Strengths

The company's main strengths are fivefold. First, technical. As the world's first smart shared bicycle, Mobike's proprietary patented smart lock integrates GPS and communication modules, and uses a new generation of Internet of Things technology. Through APP, users can locate and use the nearest bike anytime, anywhere. "Smart + Travel" is becoming a unique label for it. Second, quality. Since its official operation, Mobike has always focused on quality. On the one hand, from the perspective of the manufacturing process of the bike, the bicycles are manufactured by themselves, and the outer casing materials are durable and strong, and directly access to independent technology. On the other hand, the manufacturing cost of Mobike has been the highest in the industry, and the cost of the earliest bicycles has reached 1,000 yuan. Therefore, even if riding in a bad road environment, it can solve the "last mile of travel" problem. Third, because the quality of independent technology and bicycles are dominant in the industry, the operating and maintenance costs of the company will be effectively reduced. Fourth, the financing. As it is gradually favored by consumers, more and more investors are willing to finance the company's operations. At the end of 2017 and early 2018, there will be more than \$1 billion in strategic financing. Fifth, the company's corporate management system is relatively mature. It does not need external procurement, but also has established a relatively sound regulatory reporting system, effectively curbing bribery and corruption within the enterprise.

4.2 Mobike's Weaknesses

The main weaknesses of Mobike are the following three aspects. First, manufacturing costs are much higher than competitors. Mobike always pays attention to the quality of bicycles. Second, the user experience. The bicycle is heavier because of its better quality. Third, brand strength and multiple profit models have not yet been formed. Unlike Ofo, which has accumulated a certain amount of resources on campus, Mobike is known to the public for a certain period of time. Besides, its profit model is not much different from other brands.

4.3 Mobike's Opportunities

Opportunities between Mobike and Ofo are similar, for example, government and policy support, and the development of mobile Internet technologies etc. However, due to the different business strategies of the two companies, there are some significant differences. On the one hand, Mobike can rely on technology to attract strategic partnerships. On the other hand, increasing cities need to share bicycles to alleviate traffic congestion, and Mobike's quality can make it one of the preferred modes of transportation.

4.4 Mobike's Threats

As the two giants in the shared cycling industry, it and Ofo face similar threats. Due to space limitations, no explanation will be given.

5. Comparative analysis

Through the comparative analysis between the two companies, the development differences between the two companies are identified.

5.1 SO Strategy - Strengths and Opportunities

From the early stage of development, Ofo has many advantages and opportunities, and has its unique market positioning. However, in the subsequent development process, the company did not adapt to the development of the socialized market in time. Unsuccessful use of external opportunities combined with their own strengths to form a sustainable development advantage.

Mobike relies on its own intelligent technology and leading edge and industry quality advantages to make full use of government policies and development opportunities to achieve rapid growth. In the process of continuous change in the shared bicycle industry, Mobike continues to invest in technology research by leveraging its financing advantages and constantly seeks better quality intelligent technologies, such as the combination of BDS and smart lock. Ofo has great advantages in the early stage, but these advantages are not long-term. Mobike takes this into consideration and tries to consolidate its advantages.

5.2 WO Strategy - Weaknesses and Opportunities

Ofo lacks its own technology and the quality of the bicycle is not suitable for harsh riding environments. However, Ofo tries to make up for these shortcomings, such as the application of smart locks. In addition, early operational strategies led to increased maintenance costs and bribery and corruption in the company's supply chain, which have affected the overall operation of Ofo.

Compared with Ofo, Mobike makes full use of the opportunities brought by the outside to make up for its own disadvantages, such as the selection of aerospace-grade aluminum frame, which achieves the best condition of the bicycle in both light and firm. And the previous Mobike's operating strategy is high cost and high quality, so there is no need to pay excessive maintenance costs later.

In general, Ofo is constantly making up for its own disadvantages, but ignores internal management, especially bribery.

5.3 ST Strategy - Strengths and Threats

Ofo's strength only stays in short-term operations, and its advantages gradually turn into disadvantages in the long-term business process. Therefore, in the process of sharing economic development, Ofo is likely to not play its own advantages to avoid external competitive threats.

Mobike's increasingly fierce market competition not only captures important strategic investments, but also insists on using its own smart technology and quickly building a Rubik's big data service platform. Compared with the Singularity Big Data Platform built by Ofo, the data collected by Rubik's Cube Big Data Platform may be more about urban traffic.

5.4 WT Strategy - Weaknesses and Threats

In the process of rapid development of the sharing economy, neither company has demonstrated a clear defense strategy and adopted a positive growth strategy, but risk management is significant in this process.

References

[1] Sina Technology, 2018. Is your Ofo deposit refunded? Ofo deposit refund <https://tech.sina.com.cn/i/2018-11-24/doc-ihmutuec3241719.shtml>

- [2] Prospective Industry Research Institute, 2019. Analysis of the development status and market structure of China's shared bicycle industry in 2018 <https://bg.qianzhan.com/trends/detail/506/190111-e77b3ed6.html>
- [3] Felson, M.; Spaeth, J.L. 1978. Community structure and collaborative consumption: a routine activity approach. *Am. Behav. Sci.* 1978, 21, 614–624.
- [4] Richardson L. Performing the sharing economy [J]. *Geoforum*, 2015, 67:121-129.
- [5] Böcker L, Meelen T. Sharing for people, planet or profit? Analysing motivations for intended sharing economy participation[J]. *Environmental Innovation & Societal Transitions*, 2016, 16:S2210422416300892.