

China bike-sharing pioneer Ofo hits the skids

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Chinese bike-sharing pioneer Ofo, which claims 200 million users, now appears on the skids, with nearly 11 million customers demanding the return of their deposits

Bicycle cemeteries, blocked pavements and angry users: the bike-sharing craze is beginning to look like an economic disaster in China, where fierce competition appears set to drive a pioneer of the sector into the

ditch.

Bright orange, yellow and blue shared [bikes](#) have flooded the sidewalks of major Chinese cities for the past two years as the sector's main rivals Ofo and Mobike deposited millions of the two-wheelers in front of office buildings and subway exits in an attempt to drown their rival.

A tech start-up darling after its launch in 2014, Ofo attracted major funding from Chinese and international investors and had been valued at more than \$2 billion.

In a swift reversal the firm, which claims 200 million users, now appears on the skids, with nearly 11 million customers demanding the return of their deposits.

At the group's Beijing headquarters, a "very angry" Mr Wang said he has been seeking to recover his 199 yuan (23 euros, \$29) deposit since November 13.

Wang "has a car and a motorbike" and no longer borrows the lemon-yellow bikes, which are unlocked by scanning a barcode with a mobile phone app.

A month after he made his demand online, "the request failed" without explanation so Wang headed to the Ofo office this week, along with hundreds of other angry customers.

In a statement Monday, Ofo said their claims would be processed in chronological order.

"Yesterday, I was ranked 10.76-millionth, today I'm 10.75-millionth. That means 10,000 people have left the list," said Wang.



Shared bikes have flooded the sidewalks of major Chinese cities for the past two years

"At this rate, it'll take three years to recover my 200 yuan!"

To use the bicycles, the first users had to post a deposit of 99 yuan, which has since increased to 199 yuan.

The company is now facing demands for nearly a billion yuan in deposit refunds.

On social networks, users have complained about the poor condition of the bikes, overcharging on their electronic wallets, or their fear of seeing

the company go bankrupt.

"Ofo has too many broken bikes on the street, thus it's hard to find an available bike," said Yu Xue, internet and blockchain research manager with IDC in Beijing.

"Its main competitors -- Mobike and Hello Bike—do not require deposits any more and this makes them more attractive than Ofo. Basically, fewer rides, less revenue," Yu said.

'Free liquidity lifeline'

"Access to customer deposits has acted as a free liquidity lifeline to Ofo and other bicycle-rental businesses," said Michael Pettis, a finance professor in Beijing.

Customers often leave 100 yuan or even up to 1,000 in their accounts under the assumption that this deposit will pay for the use of the bicycles and that they will be able to withdraw what they don't use, he explained.



Customers (L and C) come to claim their deposit money, outside Ofo headquarters in Beijing

"Most analysts have long argued that these companies were able to survive and compete aggressively to expand not because the business was profitable, but rather because of access to customer deposits," he stressed.

Without these deposits, "it is hard to see how many of these businesses will be able to survive", he said.

"This may be a good thing if it ultimately allows consolidation in what has been a chaotic market, but in the short run it may prove very painful."

In China the bike-sharing sector has also seen a massive waste of resources, with mountains of bikes discarded rather than repaired, in contrast to the "green" image usually associated with urban cycling.

And Ofo now makes no secret that it is in trouble.

In a letter to its employees this week, founder Dai Wei admitted to toying with the idea of declaring bankruptcy.

In early December a court ordered the company to refrain from excessive expenditure.

Dai has also been placed on a credit blacklist and is banned from flying or staying in top hotels.

For its international expansion, Ofo in March had raised more than \$850 million from investors, including Chinese e-commerce titan Alibaba, adding to the \$700 million it attracted in July 2017.

But Ofo has had to abandon several foreign ventures while rival Mobike, launched in 2016, continues its global expansion with the support of another Chinese internet giant, Tencent.

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