

**Sharing economy****Bike-sharing backpedal puts China manufacturers in a spin**

Hub near Tianjin is latest victim of new economy's boom-and-bust cycle



Alibaba-backed ofo has become the largest start-up to stumble, reining in an ambitious overseas push and unable to keep up with the spending of rival Mobike © Reuters

Emily Feng in Tianjin 13 HOURS AGO

On the western outskirts of Tianjin, a port city near Beijing, idle workers at a bicycle factory reminisce about better days.

“Even last year, shared bikes were all the rage, but we get no orders any more,” said one of the managers at Luoda Bicycle in the Tianjin suburb of Wangqingtuo, a Mr Xue, adding that the hot item this year was electric scooters.

“With so many shared-bike companies going bankrupt, who could be ordering new shared bikes now?” said Ling Yang at Mingzhou Bicycle. His neighbour, once a manufacturer for ofo and now-shuttered Bluegogo, shut up shop last year.

Wangqingtuo is emblematic of how free-flowing Chinese investment often allows a sector to rapidly expand to multiple competing participants before consolidating around the biggest start-ups or those with the biggest backers.

China's shared-bikes sector is just the most recent example of the boom-and-bust cycle of Chinese technology start-ups. Similarly, the food delivery and ride-hailing sectors have traced the same arc of multiplication then consolidation, eventually settling around no more than one or two of the biggest participants.

The breakneck growth of shared-bike services breathed new life into bicycle manufacturing — but now it is bearing the brunt as the trend reverses course.

## At least 30 per cent of the factories here have closed, especially among those that opened specifically to make shared bikes

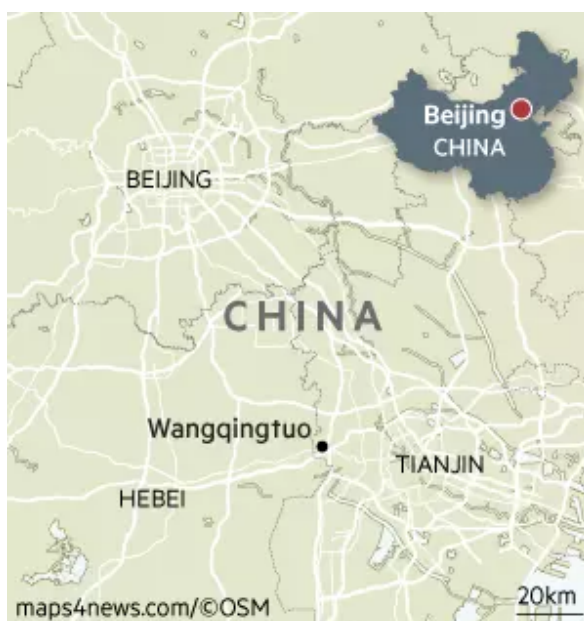
Ma Jingwei, former worker at a now-closed manufacturer

China's "bike graveyards", where tens of thousands of discarded shared bikes have been dumped, are now complemented by the scores of bike factories that lie deserted in Tianjin after a [pronounced contraction](#) in the sector.

The contraction follows nearly two years of frenetic fundraising and subsidy wars between rival platforms. In 2017 alone, Mobike — backed by Hillhouse Capital, Temasek and [Foxconn](#) — and Alibaba-backed ofo together raised nearly \$2bn in outside funding.

China's bike-sharing market brought in an estimated Rmb10.3bn (\$1.5bn) in revenues last year, more than 8 times the Rmb1.2bn revenue in 2016, according to Beijing consultancy iiMedia Research. User numbers followed the same trajectory: last year 209m people in China used bike-sharing platforms, up from 28m in 2016.

But ofo has started backpedalling, becoming the largest start-up yet to stumble. It has reined in an ambitious [overseas push](#), unable to keep up with the spending of rival Mobike, which was [acquired](#) by food delivery and online services group Meituan Dianping this year.



Like many bike-sharing start-ups, ofo relied on outside funding to fuel its expansion, at one point boasting 10m bikes worldwide. It has raised \$2.2bn from investors including Alibaba and Ant Financial, according to Crunchbase.

However, in the past two months alone, ofo has [retreated](#) from Israel and India and begun scaling back operations in Australia and Germany — an abrupt reversal from plans to have 20m bikes in 20 countries by the end of last year. Ofo, which expanded aggressively to 30 cities in the US, is now also planning to reduce its operations in the country.

Smaller companies across China, including Bluegogo and Hong Kong-based GoBee, have already stopped operating.

The rise and fall of Asia's shared-bike sector is having a ripple effect across China, where urban planners and transport authorities have had to revamp services to accommodate the rapid influx of bikes. But hardest hit have been the manufacturers, which in the past two years have pumped out millions of bikes.

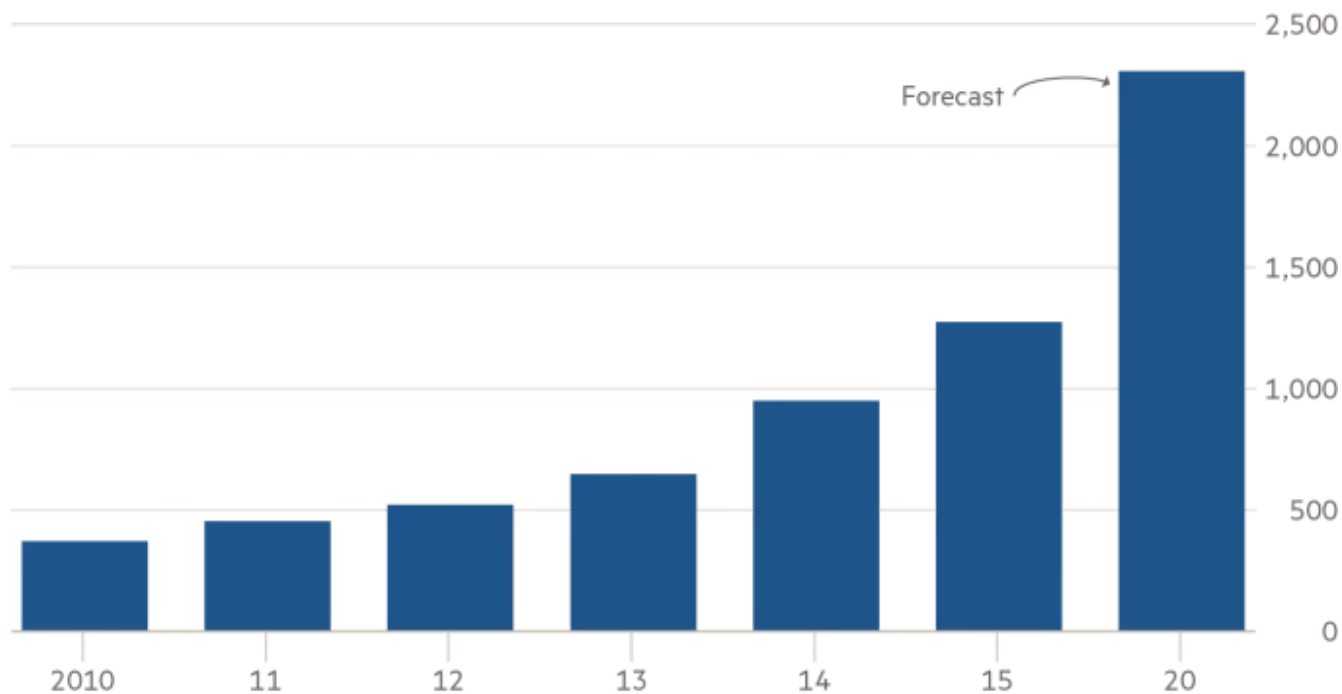
The impact is readily apparent in Wangqingtu, a town 110km south-east of Beijing. Historically the manufacturing hub for several classic bike brands, business had slumped in recent decades as upwardly mobile Chinese consumers traded up to cars.

However, as bike-sharing took off, trade flourished once again, with hundreds of private bike factories — some making a few hundred bikes a day, others thousands — popping up across the town. Bike production turnover reached Rmb3.92bn in 2015 — equivalent to 70 per cent of the town's gross domestic product, according to local media.

As the fortunes of the bike-sharing start-ups have turned, Wangqingtu's entrepreneurs are struggling to find new clients. "We loved making shared bikes, because the requirements are lower and you can make a lot, fast," said Ma Jingwei, a former worker at a manufacturer that shut down this year.

## Global growth of bike sharing

Number of schemes worldwide



Source: Roland Berger  
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Electric scooters, while in demand, are more complicated and costly to make, hitting margins hard. “At least 30 per cent of the factories here have closed, especially among those that opened specifically to make shared bikes,” he said.

“There are just too many [bike-sharing platforms]. I cannot even get them straight,” said Max Hu, founding partner at Shanghai-based technology investment firm Lighthouse Capital. According to research firm IDC, there have been about 60 shared-bike start-ups in China over the past two years.

To stand out from the crowd, start-ups have relied on subsidies to lower the average ride cost to woo Chinese users. Mobike, for example, recently [waived user deposits](#) on bikes after receiving new funding from owner Meituan-Dianping, while periodic coupons issued by various platforms can still make rides, in effect, free.

“The abnormal competition and investors who followed the crowd have created a huge amount of waste [in the sharing-bike sector],” said Mr Hu. “It made for an unreasonable business model in the short term.”

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