Publication: Channel News Asia Online
Date: 06 July 2018
Headline: Is dockless bike-sharing doomed to fail in Singapore?

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Derelict oBikes abandoned near Raffles Place a day after the company announced that it will cease operations in Singapore. (Photo: Michelle Teo)

SINGAPORE: Three dockless bike-sharing companies – GBikes, oBike and ShareBikeSG – have ceased operations in Singapore just before new rules, introduced to tackle the problem of indiscriminate parking, take effect on Saturday (Jul 7).

Besides having to apply for a licence from the Land Transport Authority, all dockless bike-sharing operators will have to regulate their fleet sizes, pay a registration fee for each bicycle and ensure that their bikes are parked in designated areas.

Operators will also have to keep track of users who park indiscriminately and ban the recalcitrant ones.

Some of the companies that have withdrawn from the Singapore market said that these requirements are too onerous.

However, is the business of dockless bike-sharing viable, even without such regulations?

Nitin Pangarkar, Associate Professor in the Department of Strategy and Policy at the National University of Singapore Business School, does not think so, pointing out in this week's Asia Business First podcast that the rental charges are "ridiculously low".

He also dismissed the notion that bike-sharing companies can make a lot of money by selling data on users' travel patterns.

"Who is going to buy this data? If you are pricing below cost, this data collection makes zero sense," he said. "The fact that I rented a bike from my home to go to the hawker centre, I think, is worthless."

An overturned bike at a construction site near Allenby Road. (Photo: Rui Ni)

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Thus, it is hard to figure out how dockless bike-sharing companies can turn a profit.

Unlike ride-sharing companies, bike-sharing companies have to spend on key assets – the bicycles themselves.

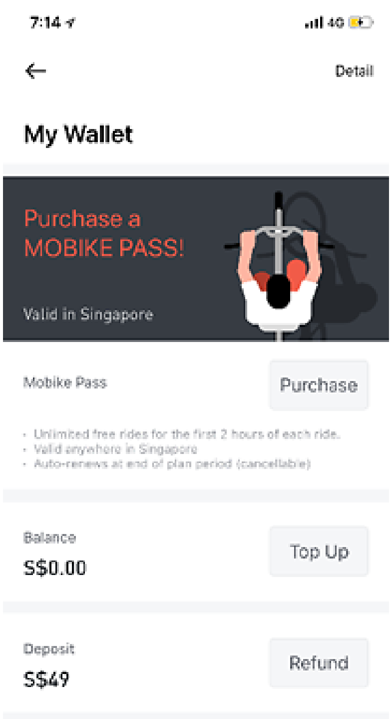
Throw in stiff competition, expenses for maintenance and repair, as well as the need to manually round up bicycles from far-flung places, and one can only surmise that bike-sharing is a low-margin business.

Therefore, Pradeep Varakantham, Associate Professor at the Singapore Management University's School of Information Systems who has studied bike-sharing systems for more than four years, thinks that operators can make money only in the long run.

"It's a segment where the amounts you get per ride are small, so it takes time," he said. "These bikes aren't that expensive. They have to be invested so they can deal with all the fines and regulations. It will take time before they start making profits."

One wonders if the real money comes from the deposits collected from users.

Even so, there are early indications that the major players are putting the squeeze on smaller rivals by moving away from the deposit-collecting model.



Screenshot of deposit refund page in the Mobike app.

Mobike, which has an estimated 9 million bikes around the world, has announced that it will waive deposits for its users.

Without deposits, Assoc Prof Pangarkar thinks the way forward for bike-sharing businesses is through collaborations with credit card companies, for example.

"Because you're charging the card when somebody rents the bike," he said. "That's probably an agreement they have to make in the long run."

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On the other hand, Assoc Prof Varakantham thinks operators in Singapore will take a "divide and conquer" approach in order to survive.

"I think the consolidation in this market will not be like Grab taking over Uber," he said.

"Here it may be that, 'OK, I have my area, I know this area is where I have seen demand come in, so I will focus on this area and you guys go take these other areas.' I think that is what it will eventually lead to."

Collage of Mobike and ofo bicycles. (Photos: AFP/Reuters)

It is estimated that the world's two biggest bike-sharing companies, Ofo and Mobike, burn through at least US$25 million a month to fight for market share and fund their global expansion plans.

This is made possible with the financial backing of tech titans Alibaba and Tencent respectively.

What is the ultimate aim of these companies, if not profitability?

To find out, listen to the Asia Business First podcast here.
Source: CNA/wl