

# Analyzing The Decline in Market Share of DIDI Travel: A Comprehensive Assessment and Strategies for Sustainable Growth in The Ride-Sharing Industry

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**Abstract.** With the rapid development of the mobile internet, ride-sharing platforms play a crucial role in the urban transportation sector. This paper analyzes in-depth the reasons behind DIDI Travel's market share decline, combining Porter's Five Forces model and SWOT analysis method to reveal the multifaceted factors influencing market share. The paper discusses DIDI Travel's recent revenue and loss situations and challenges in its core market through case analysis. The analysis covers various aspects, such as the threat of substitutes, supplier bargaining power, buyer bargaining power, competitive rivalry, and the threat of new entrants, all impacting DIDI's market share. To address these issues, disadvantage-opportunity (WO) and disadvantage-threat (WT) strategies are proposed to tackle safety concerns, profit pressures, and competitive challenges. In conclusion, DIDI Travel needs to increase investment in technological innovation, optimize pricing strategies, expand into new markets, strengthen cooperation with the government, maintain competitive advantage and achieve sustainable development. This research provides valuable reference and insights for practitioners, researchers, and decision-makers in the ride-sharing industry to cope with the ever-changing market environment.

**Keywords:** Ride-sharing platform; DIDI Travel; Market share decline; Competitive strategy; SWOT analysis.

## 1. Introduction

With the rapid development of the mobile internet, ride-sharing platforms are playing an increasingly important role in the urban transportation sector. As one of the global leaders in the ride-sharing industry, DIDI Travel's market share significantly influences urban transportation operations and future planning [1, 2]. Analyzing DIDI Travel's market share helps to gain a deeper understanding of the competitive landscape, user behaviors, and impacts on traditional transportation methods in the ride-sharing market, offering crucial insights for governments, businesses, and scholars regarding urban transportation development [3, 4].

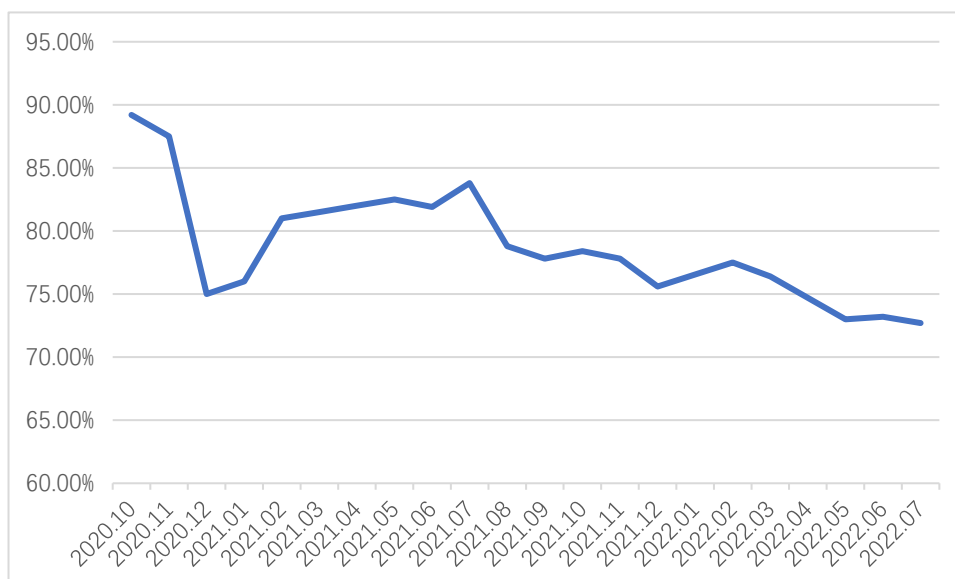
In recent years, numerous studies have focused on ride-sharing platform market share and its effects, including market competition analysis, user behavior studies, and transportation impact analyses. These studies have extensively analyzed the competitive patterns in the ride-sharing market, including the competitive relationship between DIDI Travel and other rivals, market share distribution in various cities and regions, and user behaviors on ride-sharing platforms. However, a notable research gap remains in the decline of DIDI Travel's market share. Urban development is inseparable from transportation, and against the backdrop of urbanization, the urban population has surged, leading to greater demand for transportation. With the rapid growth of ride-hailing platforms, app-based ridesharing, led by DIDI Travel, has gradually become a significant mode of transportation. The foundation of ride-hailing lies in drivers and users. DIDI has firmly established itself in the ride-hailing market through early battles for drivers and users. However, despite its market popularity, DIDI Travel faced setbacks and ultimately bore the consequences of delisting. This prompts us to contemplate why DIDI Travel's market share rapidly declined, accompanied by reduced user retention rates [5-7].

Market share reflects a company’s position; typically, higher market share indicates stronger competitiveness. The decrease in DIDI’s market share implies that the company’s market strategy research is insufficient, and there is room for consideration on effectively penetrating the market and establishing a solid position. This research can comprehensively demonstrate the reasons behind DIDI Travel’s market share decline and explore ways to regain market share. This can reference similar ride-hailing software, optimizing their market strategies. Additionally, it holds significance for future researchers. Analyzing the decline in market share can lead to identifying solutions to capture the market. Gradually shifting people’s transportation habits through ride-hailing software has played a significant role in alleviating traffic congestion. For passengers, it reduces long wait times and incidents of rejected rides. For drivers, it reduces aimless searching for passengers and driving empty cars. This has led to substantial societal benefits [8-10].

Therefore, this study uses Porter’s Five Forces model and SWOT analysis to analyze the market issues DIDI Travel faces and the factors affecting user retention. It also combines DIDI Travel’s recent “stormy” experiences with market share, studying the reasons for the decline in DIDI Travel’s market share and the impact of policies on it. This way, it fills the existing research gap, offering methods for DIDI Travel to enhance its market share and provide a more comprehensive understanding of the ride-sharing industry.

## 2. Case Analysis

As shown in Figure 1, annual data for 2021 and 2022 revealed revenues of 173.8 billion yuan and 140.8 billion yuan, respectively, while net losses were 49.3 billion yuan and 23.8 billion yuan, respectively. In 2022, although operating income fell by 19%, net loss narrowed significantly by 52%. Domestic travel accounted for 89 percent of the company’s total revenue, which fell 22 percent from 160.5 billion yuan in 2021 to 125.9 billion yuan in 2022. In relative terms, the internationalization business, although accounting for only 4% of the total, will grow by 62% to 5.9 billion yuan in 2022. DIDI’s annual report also shows that the impact of the massive reduction in user subsidies and mass layoffs is reflected in a 42.5 percent year-on-year reduction in sales and marketing costs to 9.8 billion yuan in 2022 and 13.4 percent in operating and support costs to 6.5 billion yuan in 2022. This reduced the total cost by nearly 30 percent from last year’s. The data reveal DIDI’s finances in 2021 and 2022, and unfortunately, they show a series of worrisome negative trends. This study analyzes these data in detail from the following aspects.



**Fig. 1** Changes in Market Share of DIDI Travel

**Severe revenue decline:** DIDI's revenue fell 19 percent in 2022, from 173.8 billion yuan to 140.8 billion yuan. This sharp decline highlights the market challenges faced by DIDI in the past year and reflects the decline in DIDI's user retention rate. This sharp decline in revenue may result from increased market competition, industry change and external uncertainty.

**Persistent loss problem:** Although DIDI's net loss decreased from 49.3 billion yuan to 23.8 billion yuan in 2022 compared with 2021, he still needs help to escape the sustained loss predicament. This shows that DIDI's continued weakness in the profit model may be related to its high operating costs, a decline in market share and the unsustainability of the profit model.

**The fall of the core market:** DIDI's core market, that is, the domestic travel business, suffered a serious blow in 2022. Revenue fell sharply from 160.5 billion yuan to 125.9 billion yuan, a 22 percent drop. This decline not only shows the company's internal management problems but also exposes the company's inability to deal with external risks. The dual impact of the off-shelf incident and the epidemic may be the main cause of this decline in core business.

**Less dependent international business:** Although it grew 62 percent in 2022 to 5.9 billion yuan, it accounted for only 4 percent of total revenue. This means that DIDI's expansion in the international market needs to bring more stability to the overall business. The high growth rate of the international market may also be due to a low base to some extent, and in the face of more fierce international competition, DIDI may need help to maintain such a growth rate.

**The problem of cost-cutting:** Although DIDI has taken steps to reduce costs, including user subsidies and layoffs, it could also hurt the business. Sales and marketing costs fell 42.5 percent from a year earlier while operating and support costs fell 13.4 percent from a year earlier. This may cause DIDI to suffer damage in customer experience, service quality and marketing, thus further reducing the user retention rate and weakening its position in the market.

Overall, the annual data reveal that DIDI faces serious financial and operational challenges. From the decline in revenue, continued losses, and the fall of the core market to the lack of dependence on the international market, these problems constitute a risk factor that must be addressed. Despite some cost control measures, DIDI Travel's problems cannot be ignored, and in an increasingly competitive market environment, it needs a more forceful response to ensure its future sustainability.

### 3. Analysis of Factors

In response to the phenomenon of declining market share for DIDI Travel, this study employs Porter's Five Forces model to analyze its underlying causes.

**Threat of Substitutes.** DIDI Travel's primary service is ride-hailing, but it faces competition from traditional taxis, private cars, and public buses, which act as substitutes. The contemporary societal emphasis on eco-friendly transportation has led to a growing inclination toward public transit and shared bicycles, significantly impacting the ride-hailing market.

**Supplier Bargaining Power.** The bargaining power of suppliers affects DIDI's market share. DIDI provides software facilities for drivers and passengers, but service disruptions could lead to ride interruptions and inherent safety risks. According to data from the National Ride-hailing Regulation Information Platform, as of May 31, 2021, 234 licensed ride-hailing platform companies nationwide indicated increased competition. The issuance of online driver's licenses and vehicle transport permits also saw growth.

**Buyer Bargaining Power.** Buyer bargaining power similarly affects DIDI's market share. Users are sensitive to pricing and service quality. In recent years, DIDI has reduced ride subsidies while other platforms offer more discounts, decreasing DIDI's market share. Despite the steady growth of China's ride-hailing user base, the pandemic has impacted the market, affecting DIDI's market share.

**Competition Among Rivals.** Intense competition among ride-hailing platforms has unveiled challenges for DIDI, including reduced subsidies, price hikes, and declining service quality. Other platforms focused on compliant vehicles, such as Cao Cao and Shouqi, have rapidly expanded by

offering lower fare subsidies, reducing user switching costs, further contributing to DIDI's declining market share.

**Threat of New Entrants.** The threat posed by new entrants also impacts DIDI's market share. New ride-hailing brands have entered the market in recent years, capitalizing on lower consumer loyalty to DIDI. These new brands attract users through substantial ride subsidies and low switching costs. With relatively low technological barriers, the ride-hailing industry becomes accessible to new entrants, intensifying competition and threatening DIDI's market share.

#### 4. Recommendations

To address these challenges, this study employs the SWOT analysis method to conduct a cross-analysis of weaknesses, opportunities, and threats and proposes improvement strategies.

**Weakness-Opportunity (WO) Strategies.** DIDI Travel faces weaknesses, including safety concerns and profit pressure, while urbanization and technological innovation offer significant opportunities. DIDI can leverage technological innovation and urbanization to address safety concerns by investing more in AI technology to predict and identify potential risks using big data and machine learning, thereby preventing criminal activities. Moreover, DIDI can seize the urbanization opportunity to implement stricter driver screening and safety measures, enhancing passenger security. Despite profit pressure, urbanization and technological innovation provide avenues for profit growth. As urbanization accelerates, DIDI should optimize pricing strategies and introduce rational fare systems, dynamic pricing mechanisms, diverse discounts, and activities to balance supply and demand and enhance user and driver satisfaction and competitiveness. Additionally, DIDI can enhance profitability by embracing technological innovation, like autonomous driving, to lower operational costs.

**Weakness-Threat (WT) Strategies.** DIDI's weaknesses encompass safety concerns, profit pressure, and regulatory changes, intersecting with threats of competition and regulatory risks. Safety concerns may prompt stringent regulations and potential business shutdowns. To mitigate such threats, DIDI should raise safety standards, enhance user and driver safety management, data security, and safety facilities, reduce risks, enhance trust, and establish safety oversight mechanisms. Amidst profit pressure and competition challenges, DIDI should seek new profit models, expand to new markets, offer diversified ride-hailing services, increase market coverage, attract more users and drivers, and fortify market dominance.

#### 5. Conclusion

This study analyzes the reasons for the decline of DIDI Travel's market share and comprehensively evaluates its current situation using the Five Forces Model. From the threat of substitutes, supplier bargaining power, buyer bargaining power, competition from existing competitors and the threat of new entrants, this paper reveals the complexity and multiple influencing factors of the decline of DIDI Travel's market share. At the same time, through the discussion of the disadvantage-opportunity (WO) strategy and the inferiority-threat (WT) strategy of the SWOT analysis method, the possible ways and directions to solve the problem are provided. For DIDI Travel, facing serious challenges such as market competition, declining user retention rate and profit pressure, it is necessary to take active and effective measures to deal with them. First, on the safety issue, DIDI should increase investment in technical innovation and improve the safety of passengers and drivers through AI technology and large number analysis to stabilize market trust. Second, regarding price strategy, DIDI should develop a flexible and diverse price system based on market demand and competition to attract more service users. In addition, DIDI should actively expand into new markets, diversify risks, and improve profitability by entering more countries and regions.

The analysis of this paper reveals the multiple reasons for the decline of DIDI Travel's market share, proposes possible solutions and provides valuable reference and inspiration for practitioners,

researchers and relevant decision-makers in this field. With the continuous changes and development of the ride-hailing market, DIDI Travel needs to continue to pay attention to market trends and flexibly adjust its strategies to ensure its position in the competition and sustainable development. Despite its challenges, DIDI Travel still has a chance to maintain its competitive edge and achieve sustainable growth through proper positioning, technological innovation and improvement of quality of service. In the future, DIDI needs to continuously optimize its market strategy, strengthen cooperation with the government, meet regulatory requirements, and meet the competitive market environment with a more stable posture.

### Authors Contribution

All the authors contributed equally, and their names were listed alphabetically.

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