

# The Tripartite Pattern of Sharing Bicycles in China: Future Development of Hello bike

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**Abstract.** Sharing economy is an emerging economic situation in China. After years of development and the failure experience of enterprises testing the water, it has finally formed a more mature three-way structure with shared bikes as the primary form of HelloBike, Qingju, and Meituan. This paper makes a comparison between Hello Bike and its competitors by case analysis, analyzes the competitive strategy and competitive advantage of HelloBike with Porter's five forces model, and explores the competitive strategy and competitive advantage of the typical blue, orange bike with 4P strategy to study the future competitive strategy of HelloBike. And put forward some suggestions for its future competition in domestic sharing economy enterprises to help Hello Bike avoid being monopolized and gain more competitiveness in the market.

**Keywords:** Sharing Economy, HelloBike, Competitive Strategy, Development Direction.

## 1. Introduction

Sharing economy is an emerging economy in China, mainly in the form of bike-sharing enterprises [1]. The earliest representatives were ofo and Mobike, but both failed [2]. After nearly eight years of development, today's domestic sharing economy enterprises have learned from the failure experience of their predecessors and become more mature, forming a tripartite situation-Meituan Bicycle under Meituan, which acquired Mobike, Qingju Bicycle under Didi, which acquired ofo, and Hello Bicycle, which has the considerable potential [3]. The current pattern of the three dominant companies in the sharing economy seems stable, but there is a surging tide of competition. The three giant companies constantly adjust their strategies to gain more substantial competitiveness and try to monopolize the market [4]. In the future, there is also the risk that dark horse companies will seize the market, just like the previous Hello bike. This paper will specifically study and compare the competitive strategies of Hello and its competitors by case analysis, Porter's Five Forces model, and 4P competitive strategy analysis, and put forward suggestions for the future competitive strategies of Hello. Based on the research on the competitive strategy of Hello bike, this paper puts forward suggestions on how to adjust the competition strategy in the future and finds the development direction of Hello to avoid being monopolized and obtain a larger market. The text is divided into three parts. The first two parts compare and analyze the competitive strategies and advantages of Hello and Meituan. The third part is the suggestions on the future competitive strategies of Hello bicycles.

## 2. Literature Review

Based on the above research background, this study sorts out and briefly reviews the literature on sharing economy and bike sharing.

Sharing economy is a new economic model through the Internet and idle social resources, and it needs to concentrate on a platform using digital matching and docking transactions. The competition pattern of sharing economy enterprises has the following characteristics: low threshold to enter the market, low degree of product differentiation, and similar service projects; Giant profit proportion is considerable; Easy circulation of market information; The influence of enterprises on product price and output is low; Product process and technology change speed is slow at present. Hu Yaozhong and other scholars have studied the strategic analysis of the sharing economy. They believe there are

problems in the sharing economy, such as significant capital demand, incomplete positioning of customers and audiences, and insufficient matching of personalized services [1].

Bike-sharing is a concrete manifestation of the marketization of the sharing economy. The general bidding factories of bike-sharing enterprises produce bicycles and hand them over to the enterprises, putting them into the designated points in each town for operation. Finally, the customers scanned the code and used them, forming a complete service chain of supplier -- merchant - customer pipeline. The service objects of shared bikes can be divided into current objects and potential objects to be developed. However, no matter what kind of consumer target audience is still the group that needs regular daily commutes, this group audience has a wide age range, mainly the young group and middle-aged group. However, due to the bicycle industry's low cost and homogenized experience, the consumer platform has excellent stickiness. But from another point of view, the bike-sharing industry users are relatively fixed now, with a significant loss, only daily fluctuations.

Liu Yishen studied the sustainability of shared transportation, in which new transportation forms such as bike-sharing became an alternative to high-carbon travel modes such as private cars, adding diversified vitality to shared transportation's green and sustainable development [2]. Li Zhiguo studied issues related to the upgrade of the Hello brand and believed that in the future, Hello would continue to take travel service as its base, deepen its life service field, and provide more users with more reliable products and services [3]. By analyzing the differentiated competition and welfare of shared bikes, Yang Ze explored how the result of market competition and social welfare were affected by the decision of shared bike enterprises on the convenience and quality of bikes [5]. Liu Jia obtained the concept and characteristics of sharing economy by analyzing marketing strategies based on sharing economy [6].

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### **3. Case analysis**

#### **3.1. Competitive Strategy**

##### **3.1.1. Differentiated competition strategy**

Hello, Travel has achieved two brand upgrades in just five years. Its differentiated competition strategy with its rivals has gradually formed a diversified business layout of sharing services, travel services, and emerging local life services from a single bike-sharing business. The two upgrades also mark breakthroughs in product, security, technology, and other fields. The company has begun to transform from a mobile travel platform to a professional local travel and life service platform.

As of April 25, 2022, the number of registered users on the whole platform Hello has exceeded 550 million. The products and services launched by Hello include cycling, electric switching, ride-sharing, car-hailing, car-renting, etc. The diversified layout of its business is increasingly clear, and the collaboration of multi-scene business is further improved. When new businesses grow larger and larger, they feed back into all businesses, including bike-sharing, creating a virtuous growth cycle. Statistics show that the proportion of users who have used two or more services of Hello has increased from 34% at the end of 2020 to 40% at the end of 2021.

With more and more obvious business diversification characteristics, Hello actively layout the “travel + local life” service ecology. On November 30, 2021, Hello and SF Express will cooperate in power exchange infrastructure, intelligent hardware, and local life. “After years of business exploration, Hello has established the development direction of a ‘travel-based Puhui life service platform.’”

To provide sufficient security for users, Hello has released the “User Safety System” to comprehensively protect users’ safety rights and interests from multiple aspects, such as cycling safety and information security.

### 3.1.2. Competition model

(1) Bargaining power of the supplier. In recent years, with the increasing popularity of diversified modes of transportation, consumers’ requirements for the comfort of transportation gradually increased, leading to a decline in the sales of traditional bicycles year by year. Oversupply in the bike-sharing market has significantly reduced the bargaining power of bike-sharing suppliers. However, Hello Travel, which has survived the tide of enterprise closures, actively promotes the upstream industry's development in a weak supply market and has become a strong pillar in maintaining the stable survival of upstream suppliers and creating employment. It also has a stable supplier.

(2) Bargaining power of buyers. As a means of transportation for short-distance travel, the rent of shared bikes is relatively cheap. Besides, as passive price recipients, shared bike users have weak bargaining power, which hardly threatens enterprises. However, due to the differences in prices offered by bike-sharing rental platforms, users will preferentially choose the relatively lower price. In the first stage of the rapid growth of domestic bike-sharing, major bike-sharing enterprises showed the characteristics of extensive expansion, using a large number of intensive subsidies to expand the market, making the bike-sharing industry once become a game of burning money regardless of the cost. In 2018, Hello took the lead in opening the era of credit exemption for shared bikes, winning the trust of most users.

(3) Threats from potential entrants. The entry barrier of the bike-sharing industry is low, its business model is easy to copy, and new entrants have a more significant threat. This requires existing companies to accelerate innovation and improve services to ensure their market share. In this regard, Hello Bike first proposed the concept of grid operation, data operation, and fine operation to accelerate the pace of promoting shared bikes into the 30-era so that shared bikes are organically into the urban transportation ecology as a part of public transport services.

(4) The threat of substitute products. Subways, buses, private electric bicycles, and other means of transportation are all substitutes for shared bikes. Still, they do not have the characteristics of "free sharing" of shared bikes, so they have less impact on the bike-sharing industry. While developing the bike-sharing business, Hello Travel has also extended to create the comprehensive business of Hello moped, hello electric vehicle, and so on, which meets users' needs for the speed and comfort of vehicles and further weakens the threat of related substitutes to itself.

(5) Competition from existing competitors in the industry. At the beginning of its establishment, Hello chose to take the road of "surrounding the city with the countryside." Instead of directly confronting industry giants, Hello decided to open the market in second - and third-tier cities and the surrounding cities, which avoided the resource consumption caused by the confrontation. Up to now, Mobike has been acquired by Meituan, and ofo has been caught in a massive storm of deposit refunds due to the breakdown of its capital chain, making it no longer competitive. At this point, the leading players in the bike-sharing industry are Hello Bikes, Meituan Bikes, and Didi’s Qingju Bikes. A new round of market competition will also be launched among these three companies.

### 3.2. Competitors’ competitive strategies

(1) Price strategy. In terms of deposits, Qingju bike and Meituan bike adopt the deposit-free method, while the deposit-free threshold of Hello bike is 650 points, which is lower than that of Qingju bike. In terms of price, in 2019, all brands jointly launched a wave of price increases. The

price of the Qingju bike is only 1.5 yuan for 30 minutes. After 30 minutes, 1.5 yuan will be charged for every 30 minutes. If the time is less than 30 minutes, it will be calculated as 30 minutes.

(2) Product Strategy. Qingju Bike is based on bicycle service, while Didi, the parent company, has developed such businesses as an express train, hitchhiker, valet, bus, taxi, and so on, constantly improving and enriching its product line, developing diversified businesses, and different businesses can also benefit from each other to maximize the benefits of the taxi platform.

(3) Promotion Strategy. In terms of promotion, Qingju Bike introduces preferential riding cards to promote users' use. Use various preferential policies to stimulate consumers to choose green orange bicycles and cultivate consumers' consumption habits. In addition, Didi Travel cooperates with QQ, WeChat, Alipay, and other platforms to promote the service information of Didi Travel by pushing the discount advertisement of Qingju Bike or issuing coupons and lotteries on mobile terminals during peak hours.

(4) Channel Strategy. Qingju has cooperated with QQ, WeChat, and other social software to make the passenger's ride experience more convenient and lifestyle. The cooperation with Alipay has changed how people pay, making the user's payment more convenient and lifestyle. The collaboration with Alipay has altered how people pay, making the user's ride experience more convenient and lifestyle.

### 3.3. Hello Competitive advantage

From an unknown supporting role in the initial stage to one of the giants of the sharing economy today, Hello has three main points: correct development strategy, emphasis on technology, and efficient organizational ability.

When it was founded, Hello adopted a sage market strategy: to avoid the fierce competition of the first-tier cities such as ofo, Mobi, and other giants, it turned to the low-tier market to launch a roundabout attack and sought development space with the strategy of "rural defense of the city." The bottom-line cities are cheaper than the first-tier cities in terms of market development and bicycle maintenance costs. Still, the residents' demand for shared bicycles is relatively high, providing a rare opportunity for the development of Hello. This differentiated market strategy has enabled Hello to survive under the siege of giants and achieve rapid rise. By April 2018, the daily order volume of Hello had finally surpassed that of Mumbai and ofo, becoming the first in the industry, attracting the attention of capital giants such as Ant Financial and obtaining subsequent financing and market support. Hello's strategy of "encircling the city from the countryside" is not radical and aggressive, allowing enterprises to gradually penetrate the first-tier cities and win their own development space while consolidating the low-end market.

The emphasis on technology is another decisive factor for Hello's success. More than two-thirds of the team in the Shanghai headquarters are software and hardware, technology-related developers. Hello has built an intelligent operation and management system and, under its support, has kept the offline operation cost up to 0.3 yuan per vehicle/day. This cost level is at least 2/3 lower than other platforms in the same industry. More robust technical capabilities and lower operating costs are the fundamental reasons for Hello to gain the favor of capital and grow.

The strength that Hello relies on to win the competition is its advanced organizational structure. Hello has established a "competency model" for employee recruitment and training. Hello arranges internal employee promotion and transfer according to essential indicators such as professional ability, collaboration ability, and structured thinking. Based on this concept, the organizational structure of Hello is very efficient.

### 3.4. Competitors' competitive advantages

As a private brand of Didi Travel, Qingju Bike can obtain a large part of its capital flow through the credibility of Didi Travel. Qingju Bike was formed by acquisition and reorganization based on the former "Little Blue Bike." It had a market basis before entering the market, saving opportunity costs and information costs. Qingju Bike, a sub-brand of Didi Travel, can use the product through

Qingju APP, Didi APP, or WeChat applet. The two APPs can be logged in using the same account, that is, the credit system of the Didi APP and Qingju APP is the same. In essence, there is no significant difference between the two points systems. The rules of points are the same. The two APP accounts can be interconnected when logged in and used simultaneously. Qingju bike can be used in the Didi Chuxing APP, which is very conducive to the expansion of new users of Qingju bike. Other shared bicycles on the market are either independent apps or used through Alipay or WeChat, which increases the cost of autonomous operation.

## 4. Suggestions

### 4.1. Enterprise level

Increase cooperation with government departments and strengthen the official image. In the context of more and more attention being paid to environmental protection, the state advocates green travel, and policies support the healthy development of bike sharing. National ministries and local governments have issued guidelines to guide the healthy development of bike-sharing many times and have supported and affirmed the bike-sharing business model in the government work report. Hello can seize the opportunity to strengthen cooperation with government departments, brand credibility, and attract new customer groups.

Develop overseas markets and build a Chinese brand image. Hello can use China's powerful industrial manufacturing industry to increase the number of bicycles produced and combine the technology and scientific and technological products independently researched by Hello, according to the competitive strategy at the initial stage of domestic development and the actual situation of overseas and local areas, develop the overseas bike-sharing market, create a Chinese brand image, and improve the international status.

### 4.2. Social level

Increase publicity and open brand awareness. Hello Bike can choose apps with higher traffic, such as Weibo, Tiktok, etc., for cooperation and drainage, or select popular star artists who can bring more topics as spokesmen, effectively transforming the fan group of star artists into the potential user group of Hello Bike.

Combine shared travel with public welfare to improve the corporate image. In 2021, Hello Travel will release the first carbon-neutral proposal and carbon-neutral roadmap in the shared travel industry; Implement the "Carbon Road Initiative" low-carbon travel public benefit achievement system. Hello Travel completed the first "Forum Carbon Neutralization" application in the bike-sharing enterprise industry. This name can be used to share the green and low-carbon characteristics of the bike to carry out public welfare activities so that user groups can combine shared travel with the general welfare, improve users' sense of moral responsibility and enhance the corporate image.

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