Analysis of Financing Path of Sharing Bicycle Industry

Qiong LI
Shandong Women University Accounting Academy, Jinan, China, 250300
958794698@qq.com

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Abstract. Under the background of the Internet, with the strategic emerging industry emerging in endlessly, analyzing the successful financing channels of strategic emerging industries is of great significance. This paper reviews several typical financing paths of the sharing cycle industry, such as the financing path of the venture capital institution represented by OFO bicycle, the listing financing path represented by youon, and the partner financing path represented by the wukong bike. Then it summarized the financing path suitable for all kinds of things in the emerging industry, providing reference value for the emerging industry.

Introduction

With the continuous development of "Internet +", emerging industries are emerging one after another. In 2014, Dewey first proposed the concept of sharing bicycles, which developed rapidly under the theme of energy-saving sharing era. Financing of the emerging industry of sharing bicycles is an important factor to determine whether it can survive. With the popularization of the concept of sharing bicycles, OFO bicycles, mobicycles, Youon and other bicycle companies have experienced a stage from the beginning to gradually stable, and have left a wealth of experience in the financing path. OFO cyclists and mobike cyclists mainly use venture capital financing, Youon uses listed equity financing to obtain financing, and some enterprises (such as Wukong bicycle, Hangzhou choke) use partnership to obtain financing. In the emerging industry of sharing bicycles, all kinds of bicycles have left a variety of experiences and lessons in the financing area. This paper analyzes the practical experience of these financing paths, and provides a reference for the healthy and orderly development of other emerging industries.

At present, there are relatively few studies on the financing of the shared bicycle industry. The existing researches mainly focus on a single case, such as the OFO yellow car and the Wukong bicycle. Wang Yaoyu (2017) takes OFO sharing bicycle as an example to study the financing mode of innovative enterprises using venture capital. He thinks that obtaining venture capital is an effective way to solve the financing problem of innovative enterprises. Li Keyi (2018) studied the failure cases of Wukong's bicycle financing, analyzed the reasons of Wukong's failure in terms of national economic policy, credit crisis and lack of efficient management mechanism, and put forward relevant improvement measures.

Under the situation that the sharing bicycle industry tends to be stable gradually, it is more conducive to find out the advantages and disadvantages of the financing of emerging industries by studying all the financing routes of bicycles from the overall situation of the whole industry, so as to find out the improvement measures to promote the sustainable development of the sharing bicycle industry, a strategic emerging industry, and at the same time to the emerging new products in the future. The financing path of industry has reference significance.
Financing Path of Shared Bicycle Industry

Financing Channels for Venture Capital Institutions Represented by OFO and Mobike

OFO and Mobike mainly rely on venture capital to obtain financing, and then take OFO as an example to explain in detail the way of venture capital financing.

OFO is a typical example of successful financing for a start-up. Daiwei, founder of OFO, applied the shared thinking to bicycles under the inspiration of Uber and others. He first proposed the concept of shared bicycles. David came up with a good idea but didn't have the money. The effective way to solve this dilemma is to invest in angels. The key to successful angel investments in the early stages of a startup is that the ideas and products launched by the founders have undergone rigorous market research, unique features and market potential. As soon as the idea of sharing bicycles was put forward, the experiment was carried out at Peking University, and the effect was remarkable. The idea attracted the attention of hunting capital and Dongfang Hongdao venture capital organization, and gained 9 million capital and fired the first shot.

Subsequently, OFO managers adjust and improve the performance and technology of the shared bicycle according to the needs of consumers, and show the feasibility and core competitiveness of the project to potential investors. OFO managers obtain A-round financing from Jinhajiang Venture Capital and Dongfang Hongdao, and from True Fund and Angel Investor Wang Gang. Also obtained the A+ round of financing, from Jingwei China, Jinsha River, hunting capital to get tens of millions of dollars B round of financing. At the same time, a shared bicycle platform was built under the investment of dripping.

OFO shared bicycles are very successful on campus and are beginning to enter a growing period. They need a bigger market. They begin to move from schools to cities. They can obtain 120 million yuan from Coatue, millet, Shunzhou Capital, CITIC Industrial Fund, Yuri Milner, Yuanju Capital, drip, Jingwei and Jinhajiang in C-round financing, and are in sufficient supply. Under the condition of capital chain, OFO actively explored new ways of operation, and constantly exaggerated its overseas market, began to talk about small yellow cars shipped to San Francisco and London, the first time seized the overseas market.

At present, OFO operation is more mature and its financing is guaranteed.

The Listing Financing Path Represented by Youon

In addition to advocates of new ideas such as OFO, there are also transitioners like Youon, which has survived and occupied an important position in the shared bike industry.

Youon is not a bike-sharing company. Youon was founded in 2010. Its business model is mainly to cooperate with the government to build and operate local municipal bicycle rental services while selling a bicycle-rental system with piles. It has a good profit and is on the rise. In 2014, 2015 and 2016, Yong An Xing gained 68.3 million yuan, 93.36 million yuan and 116 million yuan respectively. Final total assets increased from 759 million to 1 billion 308 million. In the new concept of environmental protection and energy saving, Youon rapidly entered the market of sharing bicycle with the advantages of its own similar industries. After careful analysis of the market layout, Youon concluded that the competitive advantage of sharing bicycle with OFO and piling-free is not obvious in the first and second tier cities, because piling-free sharing bicycle belt is not obvious. It is not easy to solve the problem of social management in the 3rd and 4th tier cities. Youon has more advantages in sharing bicycles with piles. After accurate positioning, Youong takes its own advantages in order to obtain funds for actively promoting and sharing bicycles. Youon takes the lead in OFO and Mobike to obtain financing by listing.

Partner Financing System Represented by Wukong Bicycle

Besides OFO rely on venture capital institutions for financing, and Youon rely on their own strong capital listing to obtain financing, there is also a financing path in the development of shared bicycles, that is, Wukong bicycle attempt "partnership" financing. The "partnership" financing method
advocated by Wukong bicycle is crowdsourcing, which mainly targets partners such as individuals and small businesses. In the partnership mode, every 1,100 yuan invested in a bicycle will enjoy 100% ownership, in addition to the permanent bicycle revenue rights and three-year advertising revenue rights. But this way did not raise the anticipated funds for Wukong bicycle.

**Enlightenment from the Financing Path of Shared Bicycle Industry**

**Financing Options for Founders of New Industries with New Ideas**

In the era of mass entrepreneurship, good ideas often come from an ordinary person, but the practice of good ideas need financial support. An effective way of financing is to obtain the approval of venture capital institutions, thereby obtaining venture capital.

Just one idea is not enough. There must be practical solutions and small scale implementation. The OFO yellow car was put forward by David, and made a detailed promotion plan. At the same time, it was promoted on the campus of Peking University, and achieved good results. Finally, the first angel investment was obtained. The existence of angel investment will greatly promote the R&D investment intensity of enterprises. Since venture capital funds are provided by professional investment institutions, as long as they approve of the plan, they will pay the investment as expected, ensuring that the actual funds and expected funds coincide.

Therefore, in the embryonic period of emerging industries, if the founder is a small capital of their own ordinary team, then it is a good choice to rely on venture capital financing.

**Financing Options for Transformation Enterprises**

If an enterprise wants to continuously expand its market share, it must be very clear about the trend of its related industrial products in the market. When it finds that emerging industries are related to the industries it is engaged in and the prospects of emerging industries are bright, it should actively carry out industrial transformation. At this point it has many advantages: it has a lot of experience in the relevant industries, and it has accumulated a lot of capital, and in the initial input can be faster access to the funds needed for emerging products. For this type of enterprise, if you want to get a huge investment in emerging industries, you can mainly rely on equity financing, similar to Youon, which is mainly engaged in municipal bicycle rental services while selling a pile of bicycle rental system business before the rise of sharing bicycle. After the introduction of the concept of bicycle, Youon has found the great potential of the industry from a keen perspective, actively transformed its industrial structure, integrated into the operation of shared bicycles, and accurately positioned to the market of 3 or 4 line cities, occupying a certain market share in the shared bicycle industry. Companies that already exist and are profitable can raise the money needed to expand emerging products by going public.

Therefore, for the transformed enterprises which have accumulated a certain amount of wealth, when entering a new industry, they can choose the listed equity financing channels. This not only facilitates the transformed enterprises to obtain enormous financing, but also attracts more consumers by listing this event. They think that the listed enterprises have a good ability. It is easier to get consumers' trust and promote their continuous development.

**Financing Path of Partner System Needs Selectivity**

Unlike the heavy assets business model of OFO trolley and the Mobicycle, Wukong bicycle implements a light assets business model, known as partnership, another way of saying is crowdsourcing, which is a very important way of financing business. For enterprises which want to intervene in emerging industries but lack of capital can choose crowdsourcing to obtain financing. But when using this kind of crowdsourcing financing, we need to formulate selective strategy. We should not blindly finance, otherwise we will fail in financing like Wukong bicycle.

Wukong Bicycle Partnership Financing is mainly faced with small and medium-sized enterprises, these enterprises have limited funds, generally relatively conservative, it is difficult to obtain the trust
of small and medium-sized enterprises. Generally speaking, SMEs associated with emerging industries will see the opportunities for emerging industries more clearly and have more confidence in emerging industries, thus more willing to invest. For example, Hangzhou Riding Choke has also adopted a partnership financing model, unlike Wukong Bicycle to all small and medium-sized enterprises, Hangzhou Riding Choke mainly focuses on raising funds from bicycle suppliers, bicycle industry enterprises are more willing to believe in a bright future of sharing bicycles, more willing to invest money in this emerging industry, Hangzhou Riding Choke get Partnership financing is successful.

Therefore, in the use of partnership financing, there should be a financing direction, not blindly financing, so as to better ensure the success of financing.

Summary

With the emergence of big data and "Internet +", emerging industries of strategic importance are springing up like mushrooms. Financing is essential for emerging industries, which need the escort of capital to mature and stabilize. Shared bicycle upholds the characteristics of the times of energy conservation and environmental protection, with an irresistible momentum of rapid development. The current share of bicycle market tends to stabilize, I believe more strategic emerging industries continue to rise in the future. It is of great significance to draw lessons from the financing path in the development of the shared bicycle industry for guiding the financing path of the future emerging industries. Taking the shared bicycle industry as the research object, this paper analyzes the financing paths of the venture capital institutions represented by the OFO yellow car, the listing financing paths represented by Youon, and the partnership financing paths represented by the Wukong bicycle. On this basis, it puts forward the suggestions of the founders, transformation enterprises and enterprises that want to adopt partnership financing can provide reference for the development of emerging industries in the future.

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