

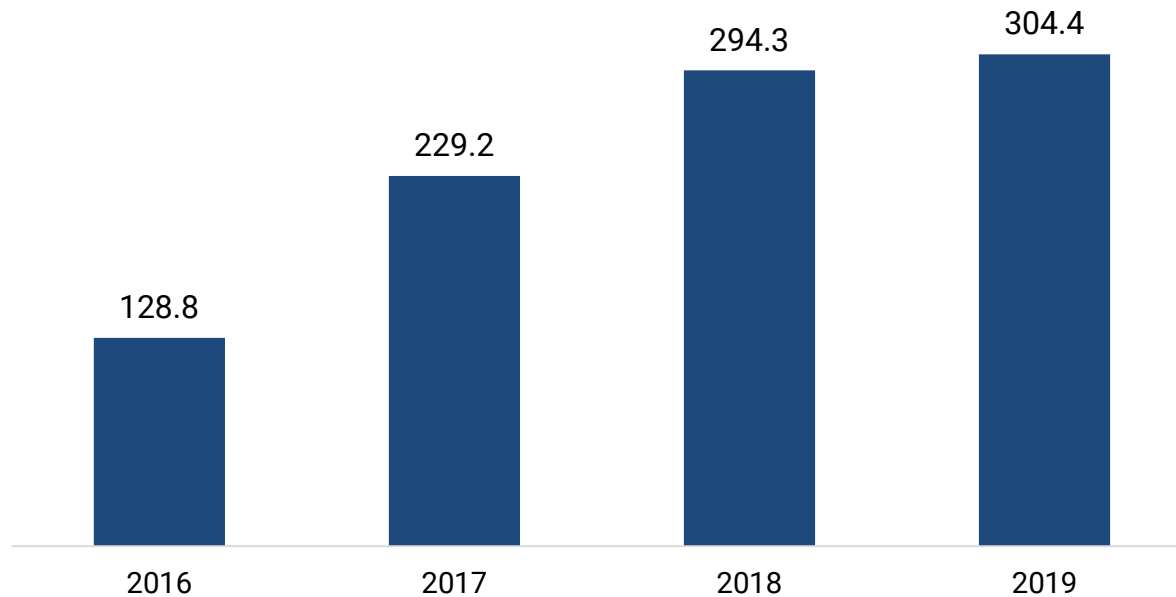
China's ride-hailing market dynamics



China's ride-hailing market still has growth potential

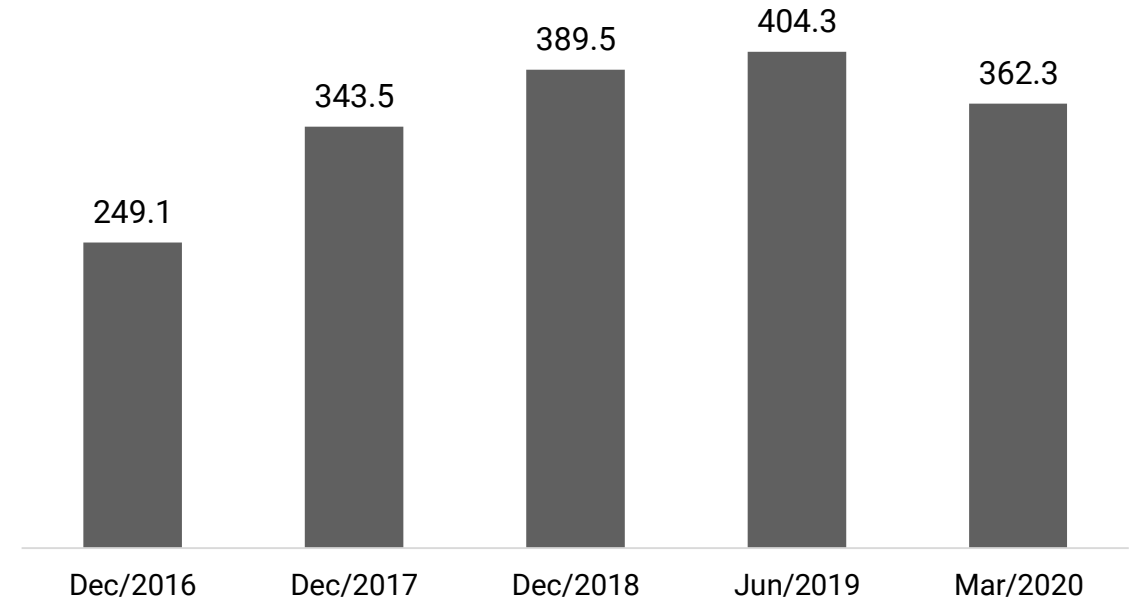
- Although COVID-19 dampened the demand, the market still has potential for growth as China recovers from the pandemic. Also, the main market of ride-hailing apps is currently still in tier-1 and 2 cities, there is still a lot of room for development in the third, fourth and lower tier cities.
- There are about 360 million registered users and 30 million registered drivers operating in the market. Both the driver and passenger sides have room for growth.

Market size of ride-hailing in China
(Billion RMB, 2016-2019)



Source: Ananlysys (易观大数据)

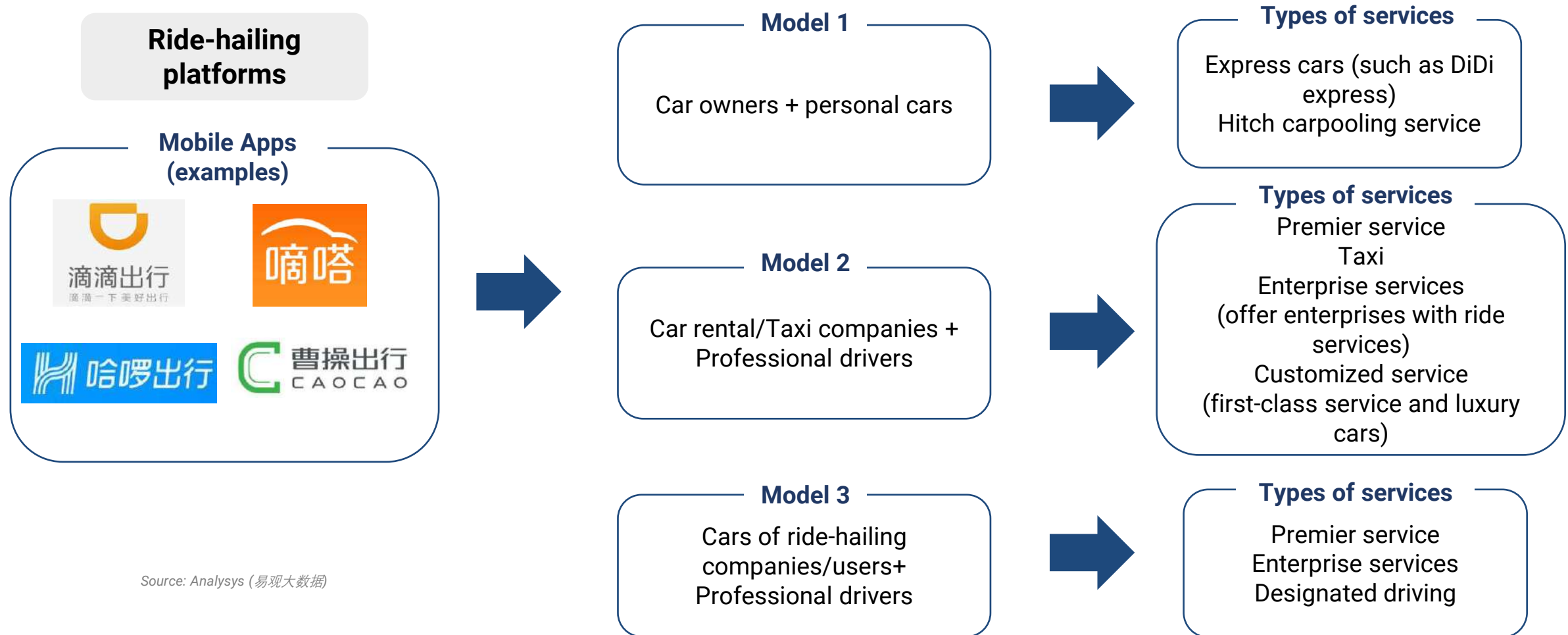
Number of ride-hailing users in China
(million)



Source: CNNIC

The ride-hailing ecosystem in China

The ride-hailing business model can be divided into C2C (consumer-to-consumer) and B2C (business-to-consumer). C2C is when private car owners offer services to consumers, in which case the ride-hailing companies only get an intermediary fee. B2C means ride-hailing companies provide services with its own drivers and cars (rented from other companies) or working with taxi companies.



Source: Analysys (易观大数据)

Top ride-hailing companies diversify their businesses

Ride-hailing apps



Products and services

In addition to **ride-hailing**, DiDi also launched services like **bike-share, designated drivers, and car renting for road trips**. Thus, DiDi provides the most services among competitors and has an inclination to develop public welfare, bank cooperation, financial services and insurance products.

Dida focuses on **the taxi business and carpooling**. The brand also focuses on social networking. Its app has functions such as adding friends. Dida developed new business such as vehicle financial services.

Hello started from **shared bikes** in 2016 followed by e-bikes. In 2019, Hello entered the ride-hailing market.

Caocao uses **new energy cars** and low carbon travel to attract eco-friendly minded consumers. In addition to ride-hailing, Caocao also provides **intracity delivery and pick-up services**.

Pricing strategy

Starting price:
Below 3km, 12 RMB
Price more than 3km:
3km-20km 1.5RMB/km
Over 20km 1.2RMB/km

Starting price:
Below 3km, 11 RMB
Price more than 3km:
3km-30km 1.2RMB/km
Over 20km 1.0RMB/km





Starting price:
Below 3km 5.5 RMB
Price more than 3km: 2 RMB/km

Starting price:
Below 3km, 12 RMB
Price more than 3km: 2.6 RMB/km

Sources: Official websites and apps

DiDi is the largest brand in the market

- DiDi Chuxing has the largest market share, the largest user scale, and the highest coverage.
- Hello Chuxing's ride hailing services is limited to a few cities (Shanghai, Chengdu, Nanjing, etc.) so most of its users are actually bike-sharing consumers.

Company (apps)	Founded	Main business	Monthly active users (Million people, May 2020)	Market penetration
 DiDi DiDi Chuxing	2012.7	A variety of car-hailing services such as express car, premier, taxi.	54	400 cities
 嘀嗒 嘀嗒出行 Dida Chuxing	2014.9	Taxi and carpooling	5.8	359 cities
 哈啰出行 Hello Chuxing	2019.2	Bike sharing and car-hailing services	17 <small>*Most are bike-sharing users</small>	300 cities
 曹操出行 CAO CAO Caocao Chuxing	2019.2	Car-hailing services for individuals and enterprises	2	50 cities

Sources: Qianfan Analysys (易观千帆), Qianzhan (前瞻研究院, a Chinese consulting firm)

- Dida mainly provides long-distance carpooling service for consumers, which means passengers traveling a short-distance generally choose DiDi instead of Dida.
- CaoCao is less well-known than DiDi and Dida since it entered the market a bit late. Drivers are more willing to register for widely recognized platforms so CaoCao has few registered drivers.

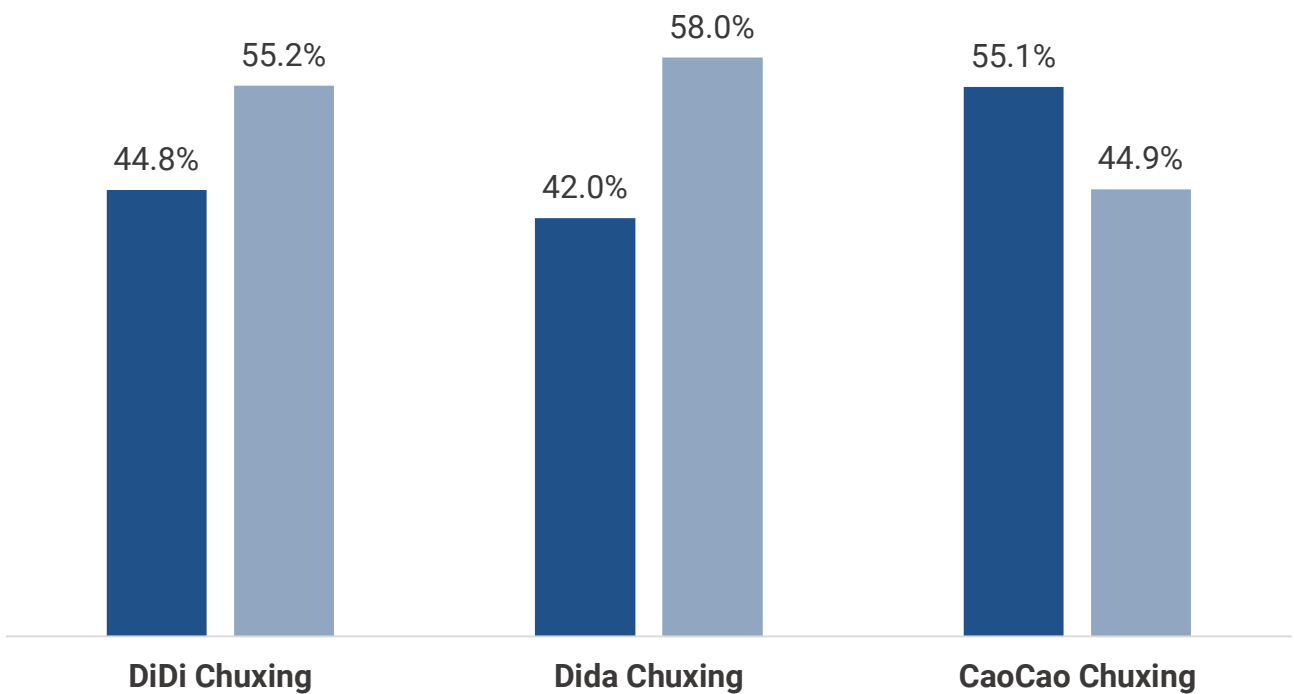
Demographics of passengers and drivers

21-40 year old people are the main users of ride-hailing apps, they usually use the service to go to work, shopping centers, cinemas, restaurants and exhibitions.

Ride-hailing passengers gender distribution

(2019)

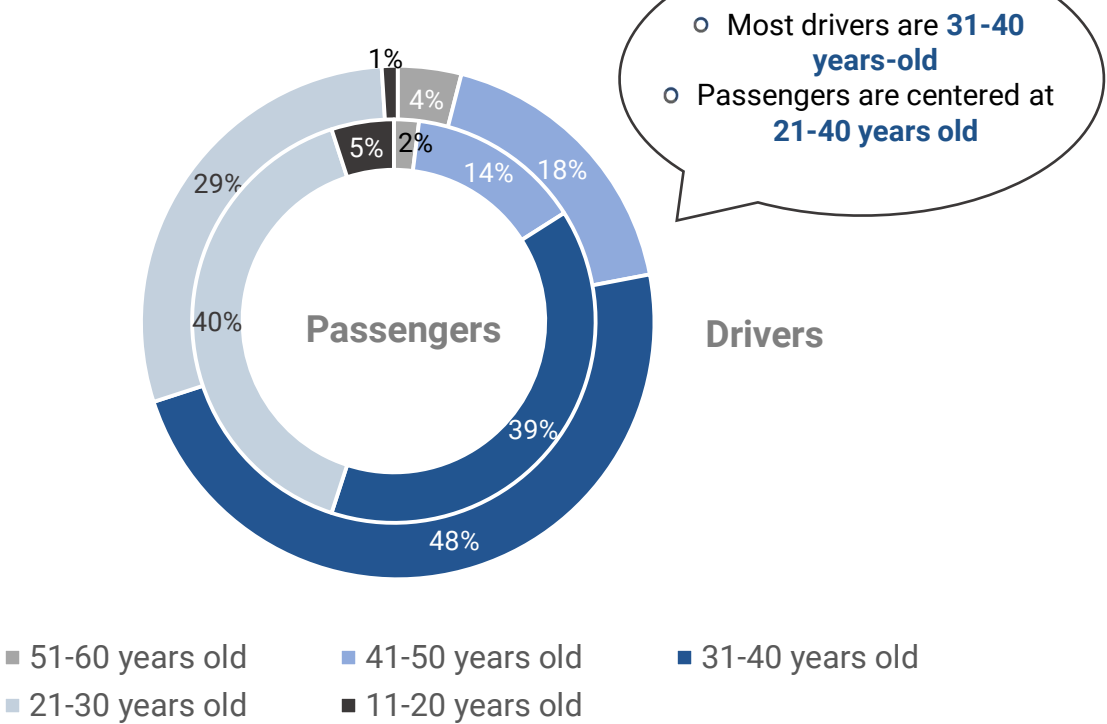
■ Female ■ Male



Source: meUserTracker

Ride-hailing passengers and drivers' age distribution

(2019)



Source: People data (a data platform built by the Chinese government), Dida Chuxing, CEPF

Ride-hailing peak times in China's large cities

The rush hours of ride-hailing services in China's big cities are fit local people's peak commuting times



Main challenges of the ride-hailing industry



Increasingly strict laws and regulations

The Chinese government believes ride-hailing is an important supplement to public transportation. Local governments launched regulations on vehicle license plates, wheelbase, safety and experience of drivers. Tier-1 cities have the most stringent requirements. Thus, ride-hailing companies have to face higher management costs.



High operating costs

Many ride-hailing companies attract consumers with low prices. But they are also largely invested in security because of government regulations, which leads to high operating costs. Therefore, ride-hailing brands face heavy financial pressures.



Fierce competition

Except well-known ride-hailing brands, such as DiDi and Dida, there are some companies from other industries also entered the market, like Meituan. In order to have more market share, ride-hailing brands had to build unique product and services in recent years. There are reasons to believe they may fight even harder for market share in the future.

A background image showing two hands building a Jenga tower on a wooden surface. The hands are wearing blue long-sleeved shirts. The tower is made of light-colored wooden blocks. The text 'Finding opportunities by experimenting in other markets' is overlaid on the left side of the image in white font on a blue background.







Finding opportunities by experimenting in other markets

DiDi has experimented in the freight market

Background:

DiDi Huoyun (滴滴货运) is an on-demand cargo delivery service launched by DiDi Chuxing in June, 2020. On the first day of operation, the platform got **10,000 orders in Hangzhou and Chengdu**. So far, more than **20,000 drivers** have signed up for the service.

High price with generous subsidies:

	 Small minibus	 Large minibus	 Truck
	5 RMB/km Over 8km: 3RMB/km	8 RMB/km Over 8km: 4 RMB/km	9 RMB/km Over 8km: 4 RMB/km
	17 RMB/km Over 5km: 3RMB/km	19.6 RMB/km Over 5km: 4 RMB/km	19.6 RMB/km Over 5km: 4 RMB/km
	6 RMB/km Over 5km: 3 RMB/km	9 RMB/km Over 5km: 4 RMB/km	9.6 RMB/km Over 5km: 4 RMB/km

Source: iResearch

Since DiDi Huoyun works as an intermediary between consumers and drivers, it offered an **abundant amount of subsidies** to attract drivers. For example, they can get 50 RMB subsidy on the first order, and 60 RMB on the second. DiDi also provided **vouchers** to all its consumers, offsetting most of the freight service cost. Hence, DiDi Huoyun gains market share through price war despite having higher prices.

Differentiation of business model :

1. DiDi Huoyun **distributes orders** to drivers, while both Huolala and Kuaigou require drivers to **grab orders** in their Apps.
2. Huolala and Kuaigou require drivers to **pay member fees** while DiDi doesn't.

Development prospect:



Opportunity & Strength

Intra city freight transport is expected to maintain a **growth rate of 5% - 7%** in the next 3-5 years. Because of the positive forecasts of the freight transport market, DiDi decided to enter the market and utilize its wide consumer base and brand name to gain market share.



Threat & Weakness

- Competitors have years of experience in the market, which allows them to accumulate users and build a strong brand awareness.
- The safety perception of DiDi Huoyun is uncertain, especially after two incidents in 2019. Thus DiDi has to figure out how to guarantee users' privacy and safety.

Meituan: When ride-hailing and food delivery overlap

In Feb. 2017, after it's official launch in Shanghai, Meituan Dache (美团打车), Meituan's ride-hailing app, ranked third in the App Store Free download list for one week. But, the company's plan was not implemented after a year-long period of stagnation.

Merged to Meituan APP from Meituan Dache APP



Challenges : Competition and regulations

- In order to seize the market quickly, Meituan launched a price war with DIDI through subsidies in Shanghai and Nanjing. But the war did not last long since Meituan cut its subsidies. To maintain its market share in Nanjing and Shanghai, Meituan lost 50 million dollars per month.
- Additionally, the transportation bureau intervened less than a day after its launch in Shanghai. They warned Meituan not to disturb social order with a price war.



- Since late April 2019, the Meituan App has already been transformed into an aggregation platform with many services.
- The new Meituan ride-hailing APP provides travel services through travel service providers
- Users can go directly to 'ride hailing' from the restaurant booking page, which allows them to call a car in real time or for reservation, with the address already plugged in.

ABOUT

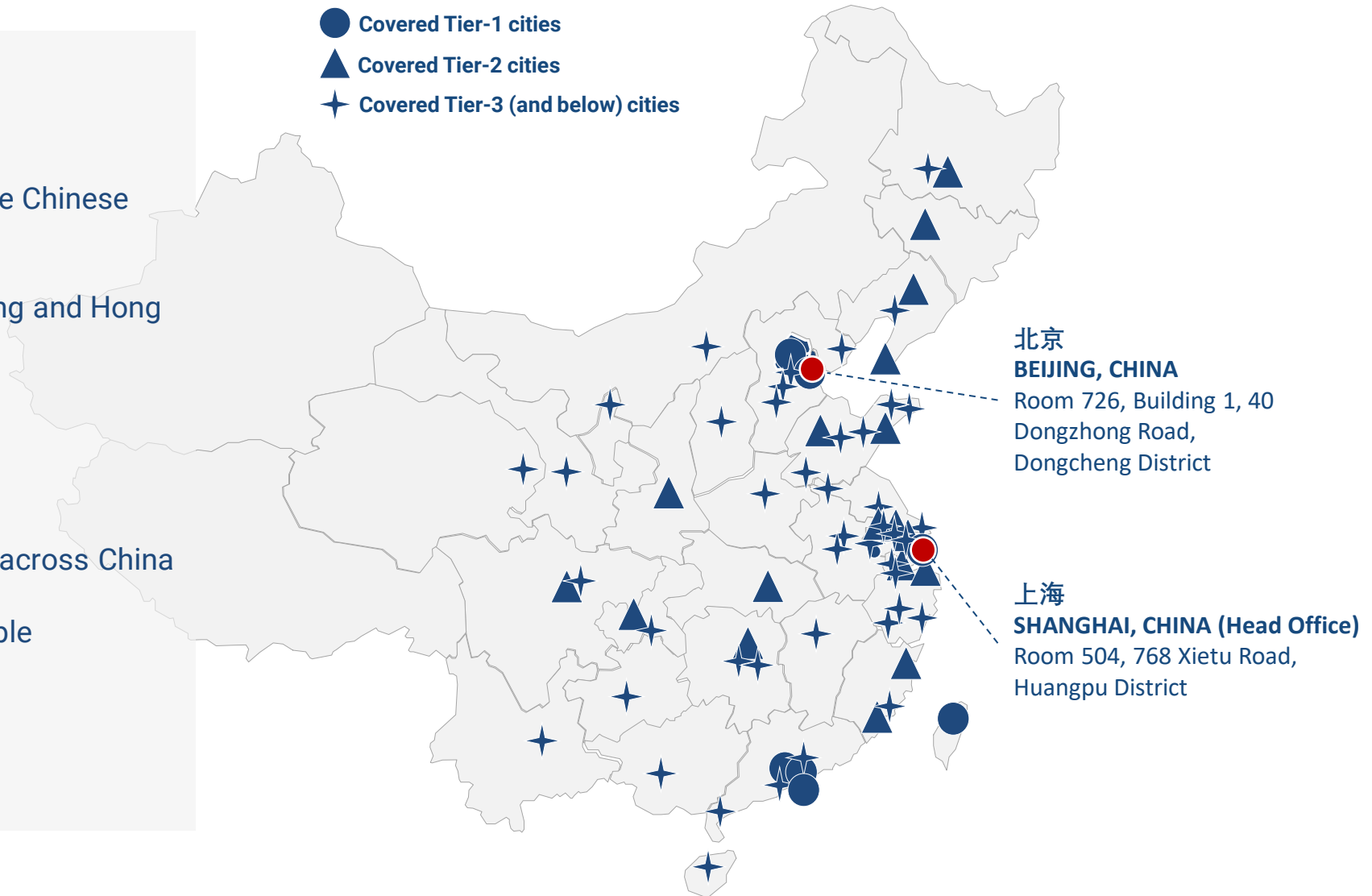


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