The future of electric scooter sharing companies – 4 scenarios 4 years from now

Micah Toll - Dec. 11th 2018 12:07 pm ET @MicahToll

Electric scooter sharing may feel like a fairly new fad, especially if your city was only recently invaded by the convenient little EVs. But believe it or not, it's been over a year since Santa Monica-based Bird first launched its rentable electric scooters in the US and started the e-scooter craze. While Bird might have seemed original at the time, there have since been over a dozen other companies that have attempted to join the nascent electric scooter sharing industry.

By all accounts, none of these companies are anywhere near profitability. Many experts claim the businesses aren't even sustainable. So what will happen to these electric scooters and the companies renting them out in the next few years? Here are four possible scenarios.

Electric scooter sharing background

First, here's a quick recap of where we are and how we got here.

Dockless electric kick scooters are popular forms of on-demand transportation in hundreds of cities around the world, with the majority located in the US. Large electric scooter sharing companies like Lime and Bird are estimated to be worth over US $1 billion after raising hundreds of millions in venture capital. Meanwhile, smaller companies such as Skip and Scoot are operating with much shallower pockets.

Ride-sharing giants Uber and Lyft have also gotten into the game, leveraging their own deep pockets and tech resources.

All of the companies charge the same prices in the US: $1 to rent an electric scooter and $0.15 per minute afterwards. International rates vary.

Experts are in agreement that these companies will never reach profitability at these prices. In fact, it is likely that these low prices were meant to be initial promotions to draw in customers (and boy did it work!) before ultimately raising prices to a sustainable level.

But after a dozen or so companies joined the competition, now there's a stalemate where no single company can raise their initial price without causing a mass exodus of users to its competitors.

To make matters worse for the companies' bottom lines, most of the electric scooters in the rental programs are more or less disposable. The companies began operating before a suitably robust industrial scooter existed, so they all used the same consumer models from companies like Xiaomi and Ninebot.

According to some industry experts, those scooters have a lifespan of just 30-90 days before being broken beyond repair from nearly constant commercial misuse. Both Bird and Lime are working on their own industrial strength scooters, but neither has rolled them out to the public yet.

Despite all the challenges the companies are facing, surveys show that the public loves electric scooter sharing. There is a vocal minority that advocates against scooter sharing programs based on the companies' safety and responsibility records, but most of the public has been more than welcoming.

So if the public loves the scooters but the companies aren't sustainable, then what does the future hold? Here are four possible scenarios for four years from now.

Scenario 1: All of the electric scooter companies run out of money and fail

Electric vehicle startups are expensive. The death of promising companies such as Alta Motors and Faraday Future stand as a testament to the fact that optimism and electrons aren't enough to sustain an EV startup.

The scooter sharing companies are only operational currently thanks to a generous helping of venture capital funding. The Information reports that Lime is losing as much as US $6 million – $23 million per month. If the price stalemate continues and the companies can't convince investors to keep them afloat longer, they'll simply run out of money and fold.

Smaller electric scooter sharing companies would likely be the first to go. Lime and Bird will likely last longer, but neither will become profitable without serious changes in operation and pricing. Uber and Lyft have the money to pour into their scooter programs, but if they see that there is no road to profitability, they might just cut their losses and return to their area of profitability and expertise: car ride-sharing.

At that point, much of the public might have already moved towards privately owned electric scooters. Electric scooters are already incredibly affordable. We reviewed an awesome electric scooter that retails on Amazon for just $271. Many commuters prefer to own their scooters outright so they know they'll always have a ride waiting for them and don't have to worry about arriving at a damaged or uncharged scooter.

And if the electric scooter sharing companies attempt to raise rental prices as a last-ditch effort to save the company, they'll only further drive consumers towards any number of affordable electric scooters.

Scenario 2: The little guys fail while the big guys survive by raising prices

Because larger companies like Bird, Lime, Uber and Lyft can afford to lose money for longer, they can wait out smaller competitors like Spin, Skip, Razor and Scoot. Once the smaller companies bleed out, the larger ones can collectively raise prices to a level that gives them at least a shred of hope of becoming profitable one day.

Of course they can't coordinate this officially, as that would constitute illegal price-fixing. But legal price-fixing occurs all the time in the form of public signals broadcast from one company to another. This is known as "implicit collusion".

For example, once there are only a few companies left and the larger ones are circling the financial drain, Bird could take a risk and announce a price increase. At that point, Lime could either try to best Bird once and for all by maintaining or even reducing their prices, or they could also increase their price to stay equal with Bird.

If Bird timed it well, the best move for Lime would be to cooperate and increase prices to Bird's level as well and head towards profitability, instead of risking running out of cash by continuing to compete on price.

This variation of the prisoner's dilemma could save scooter companies by offering them better outcomes by cooperating instead of competing. Theoretically, this could even occur earlier in Scenario 1 and potentially save the smaller electric scooter companies as well, but the chances of successful cooperation plummet with a higher number of players.

Scenario 3: Companies merge and avoid direct competition to reach profitability

Mergers and acquisitions could change the face of electric scooter sharing. As smaller electric scooter companies run out of money, they could be gobbled up for attractive prices by the larger companies.

Lime and Bird could then avoid direct competition, much like larger service providers like Comcast and Verizon, by creating unwritten zones of exclusive operation and avoiding entering each other's turf. At that point, the companies would be able to finally raise prices with their mini-monopolies and scoot towards profitability.

But it isn't just the smaller scooter companies that will make enticing targets for buyouts. Uber is reportedly already currently in talks with both Bird and Lime about acquisition.

There's a decent chance that Lyft and Uber could use their considerable war chests to acquire all of the electric scooter companies, leaving just the two ride-sharing giants to battle it out in the bike lane just as they already battle in the streets.

With Lyft recently launching their own scooters and Uber using the Jump brand that the company recently purchased to market rentable scooters, this outcome might be more realistic than you'd think. Uber's CEO even said that he expects one decade from now the company will offer more e-bike and e-scooter rides than car rides. And gobbling up the competition would be the shortest way to get there.

Scenario 4: Electric scooters die out in favor of alternatives

There's still a chance that electric scooters won't have the lasting power to make it. They could be helped to an early grave by a number of factors, from increasing regulation to price hikes or even new technology.

Cities around the country are quickly passing regulation to reign in the free-wheeling electric scooters. Some municipalities are considering speed limits so low that the scooters are barely faster than walking while others may limit the zone of operations to impossibly small areas.

While the goal of such restrictions are to protect pedestrians from fast-moving scooters, the end result could be a death knell to the scooter companies. With varying and often conflicting regulations from one city to another, the scooter companies could find it too hard to operate on a national level. And with crippling regulations that remove much of the convenience of the scooters, riders could scoot towards the next new thing. Maybe in four years we'll all be gliding around on hovershoes.

Or more likely, with the increasing popularity of electric bicycles combined with their superior stability and safety records, e-bikes could become the new standard for shared personal electric vehicles.

Lime already offered e-bikes before they jumped into the electric scooter business. For them it would just be a return to business as usual. And other companies could pivot towards e-bikes, which have seen more favorable regulatory acceptance in cities.

Only time will tell what is in store for electric scooters

While all of these outcomes are plausible, no knows for sure what the future holds for electric scooters.

For now, there are only two things we know for sure: the public loves electric scooters and the electric scooter sharing companies aren't sustainable under their current models.

So unless something changes, the electric scooter sharing companies are on a collision course with reality.

What do you think about the future of electric scooters? Let us know in the comments below.