

# Bike Sharing Will Be Riding Into Your City Soon

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The sharing economy is ripping up the rule book. We're all used to firms like Airbnb being disruptors. But there's an often-overlooked sector, which's slowly taking over in urban transportation. Many investors have failed to notice the opportunities offered by bike sharing – but it's growing rapidly, and making a real difference to how we move in cities.

In fact, only a couple of weeks ago, a huge tranche of funding was announced for Mobike – one of China's biggest players (\$600m). That will allow the firm to take its dockless sharing concept to locations around the world – including Manchester, in the very near future.

Today, we'll be taking a deep-dive into this sector – showing how this highly-investable transport model is changing the way that cities move. I'm interviewing Julian Scriven, the managing director of nextbike UK.

**AL: Tell us more about nextbike.**

JS: Nextbike UK is part of the nextbike GmbH, the world's most extensive bike-sharing company. It's represented in more than 120 cities across 23 countries and four continents. In the United Kingdom, our bikes are found in Bath, Stirling, Glasgow, Milton Keynes and at the University of Warwick. Globally, we can be found in cities such as: Dubai, UAE; Berlin, Germany; Warsaw, Poland; Auckland, New Zealand; and Kyiv, Ukraine.

**AL: Tell me about your firm's culture.**

JS: Nextbike is a young company run by a group of incredibly passionate believers in bike sharing. We come from all walks of life – ranging from MBA graduates to archaeologists! Being the right type of person is far more important than what a piece of paper from a college or university says. "Disrupters" is overused – but it is fair to say that anyone in the bike-share sector is looking to give the established transport model a damn good shake!

**AL: How did you get into this, and what's your personal motivation?**

JS: I spent ten years in Amsterdam where everyone gets around on a bicycle. Trust me, after a while, you get addicted to the freedom and joy of cycling. My first bike-sharing experience was in London, and I fell in love with the concept. It fully embraced the ideal I had seen in Amsterdam – ie, cycling as another mode of transport, rather than a sport being performed on the public highways. In the Netherlands, no one refers to themselves as a cyclist – unless they race. It's as ridiculous as calling yourself a "bus-ist" if your commute by bus. When I saw the position open at nextbike UK I applied without hesitation. No regrets ever since – I've built a fantastic team and our results have improved significantly. But best of all – I get to bring best practice from abroad to British streets. That feels rewarding in itself.

**AL: What is bike sharing, and why is it so trendy right now?**

JS: The sector actually has a longer history than many might think. The first scheme was launched in my spiritual home: Amsterdam. It was in the 1950s, and was called "White Bikes". The scheme was set up by anarchists. It quickly went into disarray – as rival blue, black, red and green bikes started popping up across the city (the same white bikes that were stolen and repainted). Eventually, cities in France and Denmark managed to master bike sharing, making it more secure and accessible for people. The advancement of technology, and smartphones, has made it incredibly user-friendly. Bike sharing acts as a brilliant final-mile solution for commuters in cities.

**AL: Generally what's the return on these investments?**

JS: For our customers, the returns on investment in bike sharing are staggering. Studies estimate ratios up to 35:1! This makes bike sharing attractive to cash-strapped authorities. They get great returns; makes their cities more attractive to investors and visitors; improves the local environment; and cuts down on pollution!

**AL: What's bike sharing in the UK like?**

JS: The first UK bike-sharing scheme was launched in 1998, in Portsmouth. That didn't see much success, and the usage figures were low. Many years later, London's "Boris Bikes" changed the public attitude towards bike sharing. Today, 18 towns across the country have their own bike-sharing scheme, ranging from a few dozen bikes in places such as Slough, to hundreds in places such

as Glasgow and Milton Keynes.

**AL: How has it changed over the years?**

JS: We are seeing more private investors and councils becoming interested in bike sharing – as it has a powerful effect on users, and on wider society. Our firm has unique experience, working with various stakeholders. For example, our University of Warwick scheme was supported by the university, and by PwC. In spring 2017 the scheme is doubling in size to 100 bikes.

In June 2016, we launched the Santander Cycles MK scheme, in Milton Keynes. With over 500 bicycles it is one of Britain's largest bike-sharing schemes – as well as the first one fully funded by a private partner. Nextbike has been very flexible in the way it delivers schemes. That is made possible because of our “full in-house” experience, meaning everything is administrated by us. This reduces risk, and confusion, for customers and partners.

By 2020 I anticipate at least 15-20 new UK schemes of various sizes. Many schemes may be run on electric bicycles – such as our recently-launched Co-bikes Electric scheme, in Exeter.

**AL: What about bike sharing elsewhere? We've been hearing a lot about it in China – how does that affect European bike sharing?**

JS: China is an astonishing market. The country used to be called the Kingdom of Bicycles in the 70s and 80s. The rise of the car and of the middle classes, have accompanied a decline in bike use. But now they have three major bike-sharing players — Ofo, Mobike and Bluegogo.

These firms have hundreds of thousands of bikes on the streets of Beijing, Shanghai, Shenzhen, and elsewhere. They are also raising millions of dollars in fundraising. Looking at it from the United Kingdom, it feels like they're in a totally different league – and perhaps they are.

**AL: Aren't you worried about these huge competitors?**

JS: The Chinese market is huge, and there is immense potential for growth. Therefore, I believe that Chinese firms will mainly focus on winning local markets, before expanding elsewhere. Nevertheless, we can see these Chinese giants starting to enter other markets. There are concerns here – as the Chinese model does not fully reflect the sustainability which is the goal of the European companies in the same sector. This has led to accusations of mass dumping of bikes into cities, and complaints that the bikes fall into disrepair. As the Chinese model matures, there's hope that these firms will embrace the full model of bike share. That includes the long-term environmental benefits.

**AL: What's happening in the US?**

JS: It's gaining momentum! Americans have managed to attract major sponsors, such as Citibank, Nike and Ford. This creates fantastic advertisement and PR opportunities. People tend to perceive sponsors as socially aware, sustainable companies. There also appears to be a significant community-driven bike-sharing revolution with niche bike-sharing companies such as Zagster, who are opening smaller schemes at American universities.

**AL: What are the main challenges for bike sharing?**

JS: Some people feel like they cannot cycle because they're not cyclists – and that is the biggest barrier for us to overcome. Bike sharing is about a sustainable mode of transport, NOT the sport of cycling. Anyone can nextbike!

Bike sharing makes cycling accessible for everyone – young and old. Nevertheless, we have experienced that it's very difficult to change people's behaviour, when it comes to transport. A gender imbalance also arises, due to this public stigma about cycling. In countries such as the Netherlands, Germany and Denmark the genders are far more balanced. In the UK, USA and Australia and you see a completely different ratio. One could argue that the former countries are more socially equal, so everyone believes they can cycle. Another reason is the impressive investment these countries have made towards cycling infrastructure.

Another issue that we find challenging is the lack of government support for such schemes. There could be political interest, but austerity measures mean that very few councils are willing to start a scheme large enough to ensure its continuous success and sustainability. The lack of cycling infrastructure also deters some councils from investing in bike sharing – as people would be less likely to cycle, due to perceived danger.

**AL: Why do such issues persist?**

JS: A substantial proportion of people don't consider cycling to be a viable means of transport – at least in their own lives. This barrier makes people sceptical about cycling generally, and less willing to support such initiatives. Nevertheless, research by Elliot Fishman (Utrecht University) shows that bike sharing reduced the usage of cars in cities by as much as 7%. This is something that shouldn't be overlooked – as the potential benefits are substantial.

These concerns are found beyond the UK. They affect Europe and North America, as well as other regions. With future developments in transport infrastructures and planning, we can expect improvement. If a city plans for the long term, they will be considering public health and wellbeing – as well as the environmental impact of transport hubs. Then, we will see even more successful bike-sharing schemes popping up. Perhaps, a segregation of cycling lanes should be considered in more cities – as it has been done in London.

**AL: Who's got the most innovative system?**

JS: That's a tough question. Each bike-sharing provider has its own strengths and weaknesses. However, it would be fair to say that nextbike is the leading provider of bike sharing in the United Kingdom. Our smart bikes allow users to rent bikes using an onboard computer, an RFID card, their smartphone, NFC-enabled device, terminal (similar to those seen in London) or call centre. This means that our bicycles are easily accessible to all customer groups, meaning that they're satisfied –as our recent surveys illustrated.

We also installed the UK's first 24/7 outdoor electric bicycle scheme in Exeter. Our bikes can be recharged anytime they're docked. This scheme is the first we know of to allow for outdoor recharge; usually electric bikes tend to be stored in special shelters.

**AL: Does bike sharing make sense without sponsorship?**

JS: Bike sharing is a mode of transport. That's something that the public sector necessarily has to get involved in – even if it's just by building roads. Accordingly, we expect support from local authorities and sponsors. Setting up the schemes costs a bit – as does reaching the threshold of usage for sustainability. However, we have successful schemes where we don't have a sponsor – such as Bath. Here, operational costs are covered by rental fees, and the capital expenditure was covered by the council. So bike sharing can become sustainable without sponsorship money – as long as stakeholders are promoting the scheme, ensuring adequate usage.

**AL: What do you think is the future of transport?**

JS: I'm fascinated with the concept of Mobility as a Service (MaaS). Location-based transport apps allow us to find alternative routes on the go. In the next year or two, we'll see MaaS start to be used in the same way as we currently use phone contracts. You'll pay a fixed monthly price to use transport. Such platforms will allow bike sharing to become integrated fully with other transport options. All that it takes is an app showing cycling will make your journey better, faster, cheaper – and voila, you're on a nextbike!

This is fascinating because it allows consumers to research on-the-go. We don't change our ways, unless nudged – but MaaS will allow us to do it in a much easier way. For this to work, all transport providers must see themselves as equals. Then we will be able to create truly revolutionary customer products.

**AL: Will bike sharing change its purpose in the future?**

JS: 2017 is the 200th anniversary of the invention of the bicycle. The purpose remains the same – to provide the users with mobility that's fast and healthy, as well as environmentally friendly. I think we are finally rediscovering the real meaning of the bicycle. It gives us a freedom, which we often lack in cities. It also allows us to be healthy, whilst saving time and money.

That has to be the main reason why bike sharing is becoming such a successful phenomenon. City planners are realising that they have to find creative and innovative solutions to problems. Bike sharing will definitely impact the mobility in the future.

**AL: What are the limits to adoption? Or will every village eventually have a scheme?**

JS: Every local authority differs: by population, topography, and financial resources. We are able to adapt our service and product to each city. For example, the scheme could be a hybrid (as is in Warsaw) with regular nextbike bikes, electric bikes, kids bikes, and cargo bikes. Whatever the town needs, it can be done.

Let me tell you about Oban, which is a small town in Scotland. In spring 2017, we're installing a system with just 20 bikes,

funded by Bid4Oban. We also have Milton Keynes, which has 512 bicycles – fully funded by Santander. MK is the first large UK scheme with only corporate funding. If the right business model is there, mixed with the right financing, then any scheme is possible. This is not to say that every town will get a scheme. A lot depends on the government and its commitment to cycling and mobility.

**AL: Will we also share scooters and skateboards in future?**

JS: That's a funny question; I was just thinking about it the other day. Wouldn't that be great? Like many in my generation, I grew up with a skateboard under one arm. I get to relive that today with my son – albeit at a more sensible pace, and on a scooter. I've seen plenty of people using scooters recently – so they are certainly in vogue. I think it serves a different market, though. Scooters are far cheaper to own and store than bicycles. But who knows – I saw someone from China post an article about electric scooter share on LinkedIn recently. Someone will probably end up running a scheme!

**AL: What will the future hold? E-bikes, navigation, etc?**

JS: E-bikes are no longer the future – they're reality! As I mentioned, we recently launched a scheme in Exeter. That is the first UK scheme to be fully electric. It has been quite a success in our network – and it has provided a lot of learning opportunities for us. We're also working closely on navigation, and we're testing on-bike phone charging, with expected deployment in 2018. That's an important aspect of getting new cyclists used to different routes.

I think the future will see more hybrid schemes. Like our Warsaw project, these mix different types of bikes: traditional, electric, cargo, or tandem. Also, seeing innovations, such as Wi-Fi umbrella networks, is not too futuristic. Imagine a fleet of bikes providing free Wi-Fi for the public – via a built-in device, on the bike. Coverage increases with the expansion of the scheme.

The future of cycle schemes is only limited by our imagination, and our desire to follow our dreams.

**AL: What is the future of bike sharing globally?**

JS: As more research comes out of bike sharing, we are discovering the benefits that such schemes bring to the local economies, and to the people who use them. Research shows that bike-sharing users spend more at local stores; property prices by docking stations increase; and car parking demand falls, as does congestion and the resulting pollution.

These are long-term benefits for bike-sharing schemes, and I believe that's why they have been so successful across the world – not only in China but also in the United Kingdom and elsewhere.

**AL: What about the next five years?**

JS: I think that over the next five years or so, we will see the number of deployed sharing bikes double. The number of cities with a scheme will also increase significantly. There will be challenges, of course. However, the technological aspects of bike sharing will mean that it is only going to become more accessible and secure in the future.

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Can bike sharing solve our transport problems? Would you invest in the sector? Please write in with your views – [andrew@southbankresearch.com](mailto:andrew@southbankresearch.com).

Best,

Andrew Lockley  
*Exponential Investor*