**Ofo: The rise and fall of a global unicorn company**

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**Teaching Note[[1]](#footnote-1)**

**Introduction/Background**

ofo was once one of the most visible and largest bicycle-sharing companies on the market. The company went from global unicorn to bankruptcy in a quick downward spiral after its early and rapid international expansion. As a part of the sharing economy, ofo and the service it provided seemed initially well-suited to the Chinese commuter lifestyle, especially as it pioneered dockless bike sharing to help solve the “last mile” problem. However, it is debatable whether ofo’s business, operational, and financial models were transferable to markets outside of China. Ultimately, the company spread itself too quickly and too thin and became unable to sustain its international expansion. Problems abroad impacted its operations at home and vice versa. Because the founder of ofo was reported to be unwilling to let the company be acquired by or merged with another better-established, financially-sound company, despite being unable to pay its debts, it soon lost the support of its key financial backers.

The ofo case ties-in well with the coverage of the last two chapters of the book, namely the processes of building and managing the international entrepreneurial firm (Chapter 4) and International entrepreneurial entry (Chapter 5). By asking students “What they would have done differently,” the instructor could open opportunities for students to apply lessons learned from these two chapters.

The case could also be used to illustrate the perils of early and accelerated international expansion and misalignment with financial partners by international new ventures. In addition, ofo’s experience highlights selected external and internal risks in international business expansion that could lead to a failed venture (e.g., regulatory and legal risks, overcommitment to a global marketing approach, issues with route to market strategies, inexperienced top management team, lack of prudence in deploying financial capital, etc.). Finally, the case sheds light on the opportunities and challenges of the global sharing economy. In this regard, the instructor may consider enriching the discussion of the case by comparing the case of ofo and bike ride sharing with other companies in different global sharing industries (e.g., Grab Taxi, Go Jet in mobility, AirBnB in lodging).

**Discussion Questions & Answers**

* What factors drove ofo to internationalize early and rapidly?
  + Being the first to market with the dockless bike-sharing concept put ofo at an initial advantage compared to its competitors.
  + ofo exploited this gap in the sharing economy to put itself ahead of other companies such as Mobike in international expansion.
  + ofo rode the wave of the sharing economy’s growing popularity at home and abroad.
  + ofo’s built a significant financial war chest early in its development, possibly prompting it to deploy this capital through rapid and broad international expansion.
* Why did the company falter and fail with its global expansion?
  + A few different factors were important in the failure of ofo’s global expansion.
  + It was relatively simple to procure the first fleet of bikes. However, the cost of maintenance and upgrades required by new legislation were hindrances to the company’s continued success.
  + Unlike in China where it initially did not contend with legal and regulatory pressures, the situation in markets like the United States, Singapore, and others were quite different.
  + The rise of imitators and competitors made it difficult for ofo to stay relevant when its pricing was higher.
  + ofo’s overly-ambitious internationalization pathway stretched the company’s resources (particularly human resources) too thin to the point that it had to withdraw from markets shortly after entering them.
* Did ofo choose the wrong pathway to internationalization?
  + Entering more than 70 foreign markets within two years without diligently researching and analyzing the differences between them and ofo’s home market of Beijing was unwise.
  + In attempting to compete with companies like Mobike in these other markets, and foregoing the option of partnerships with well-established local companies, ofo kept itself from progressing into a model where it could consistently make a profit.
* Did the company enter the wrong markets, employ the wrong routes to market, and work with the wrong partners?
  + The markets ofo entered (large cities with known traffic issues and popular tourist destinations) were not inherently problematic. The fact that some locations imposed regulations that meant ofo could deploy fewer bikes, or only deploy bikes in certain areas did hinder the company from further expansion in some markets.
  + The route to market ofo chose, with such rapid expansion into so many different markets in a short amount of time was problematic. There was seemingly little research devoted to how their various foreign markets viewed bike-sharing and commuting or how local regulations could become an issue for the company.
  + The fact that the founder was against being acquired/merging/partnering with other companies meant that the financial backing the company needed to stay afloat when it was encountering issues with expansion in 2018 would not come to fruition. The company might still be in business today (although, possibly acquired by another brand) had it been more open to these types of business agreements.

**Summary/Conclusion & Suggested References as Updates to the Case**

The increased cost of doing business and competing with other companies such as Mobike caused ofo to raise its bike-sharing rates at the same time its competitors were lowering theirs, causing many customers to opt for the less expensive option. When founder, Dai Wei, shot down the idea of a merger or acquisition of ofo, he practically resigned the operation to failure. As of early 2023, the defunct company still owes upwards of $143.5 million in deposit refunds alone and the founder has been blacklisted by Chinese courts as an unreliable debtor (https://www.yicaiglobal.com). Since ofo’s bankruptcy, the founder has been discovered opening a startup for power bank leasing in Seattle and, most recently, opening a chain of coffee stores in the US (<https://www.yicaiglobal.com>).

<https://www.researchgate.net/publication/347400513_Analysis_of_the_Failure_of_Ofo_Sharing_Bicycle_Company_and_Possible_Solutions>

<https://www.sciencedirect.com/science/article/pii/S0306261923004853>

<https://pandaily.com/company-behind-fallen-bike-sharing-unicorn-ofo-found-to-lack-executable-funds/>

<https://www.yicaiglobal.com/news/founder-of-failed-chinese-bike-sharer-ofo-sets-up-coffee-chain-in-us>

<https://www.bloomberg.com/news/articles/2023-05-15/founder-behind-historic-china-bicycle-bust-starts-over-in-nyc#xj4y7vzkg>

1. Hannah Mikitowicx, Master of Science in International Business Candidate and Business School and Research Assistant at the Institute for International Business, University of Colorado Denver, prepared this Teaching Note under the guidance of Professor Manuel G. Serapio. [↑](#footnote-ref-1)