COVID-19 May Drive Consolidation in Faltering Micromobility Sector

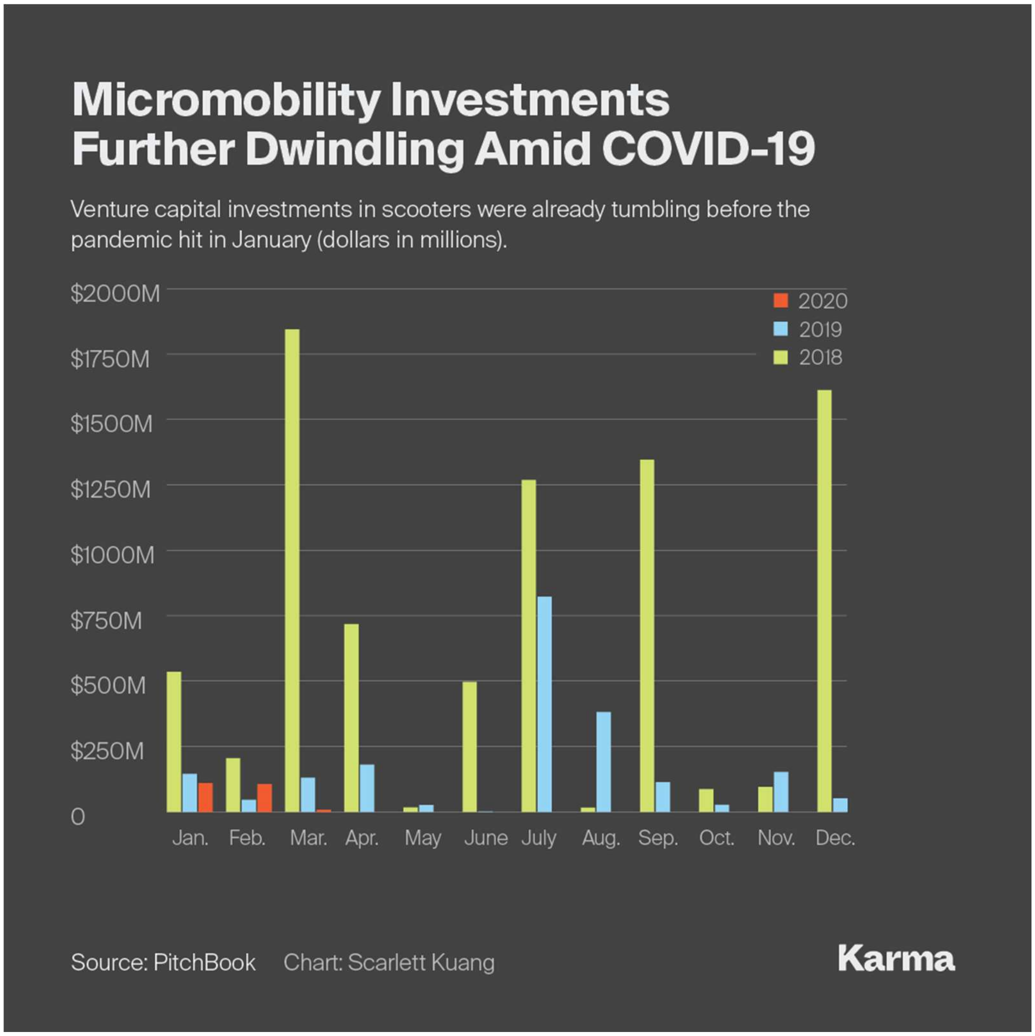
By Ambreen Ali
March 25, 2020
https://karmaimpact.com/covid-19-may-drive-consolidation-in-faltering-micromobility-sector/

- The coronavirus is upending business in micromobility, where startups were already struggling to make shared scooters and bicycles a viable transportation option.
- Investors had already shied away from the sector, which saw venture-capital investment drop 63% to almost $2 billion last year from 2018, according to Pitchbook.
- Leaders like Lime and Bird have seen declines in ridership, meaning that post-pandemic, only the largest and best-managed companies may survive.

The deadly coronavirus pandemic may be the final nail in the coffin for startups in the already teetering shared scooter and bike field.

In cities all around the world, rideshare equipment is lying abandoned as customers, public officials and micromobility operators alike try to figure out whether it is safe to continue using them.

While many industries are bracing for how the coronavirus will reshape business as usual, perhaps none are more vulnerable than the micromobility companies that debuted in the last few years. This nascent space was already filled with companies struggling to compete in a crowded marketplace while establishing a business model that works. Now, they must also weather lockdowns that are reducing ridership for an indeterminate amount of time, which could push smaller, cash-strapped startups out of business.



"In the near term, the reduced movement of people presents a headwind to the micromobility industry," Asad Hussain, mobility analyst at Pitchbook, told Karma. "Longer term, we continue to be optimistic about the growth in shared mobility. Once this crisis is over, people will continue to want low-cost, fast and accessible transportation options."

So far, the crisis has presented more challenges than opportunities: Lime suspended most of its operations, while Bird has committed to increasing cleaning. Revel shut down in Miami and reduced service in Oakland, California, but also is offering free rides to health-care workers as a way to get to work. In Florida, Miami-Dade County barred the use of micromobility mopeds, scooters and other devices because they are not routinely cleaned between customers and may spread COVID-19, whereas Detroit officials asked Ford-owned Spin to deploy extra scooters when public bus service was halted.

Vashti Joseph, operations lead for Helbiz in Washington, D.C., said the startup is pivoting to helping essential businesses such as pharmacies and restaurants make deliveries. While service has stopped in Miami, micromobility companies received clearance today to continue operating in the capital. Helbiz ridership is down by half in the District this week, and the future is uncertain: Plans to expand to the Virginia suburbs of Alexandria and Arlington this summer have been put on hold indefinitely.

"If we have to shut down, we will," Joseph told Karma. "It's very hard to plan because the situation changes daily."

Adding to the uncertainty is a declining funding environment. Venture capital investment in micromobility startups totaled almost $2 billion in 2019, a decrease of 63% from the year prior, according to Pitchbook. Competing for those funds is a crowded marketplace that includes Bird, Didi Chuxing, Helbiz, Hellobike, Lime, Lyft, Mobike, Revel, Skip, Spin, Uber and more.

In addition to competition and a lack of easy funding, the companies are also struggling with vandalism and theft, costly charging and redistribution needs, compliance with local policies, and bad weather, according to a Deloitte report on the sector.

But the space also has potential. With urban centers around the world getting more crowded, and transportation becoming an increasing challenge, micromobility offers a last-mile solution that could account for a majority of the total passenger miles that are traveled in the U.S., European Union and China. The market share in those regions may reach an estimated $300 billion to $500 billion by 2030, McKinsey estimated before the coronavirus crisis.

Demand is likely to return as cities start to lift restrictions on businesses and people's movement. Some of the companies in the space are better positioned than others to make it through the crisis.

"Many of these startups could be attractive acquisition targets as they face difficulties raising funding going forward," Hussain said, adding that he would not be surprised to see "a significant shakeout" in the coming months.