

# ***Analysis of Didi Dache and Kuaidi Dache Merger: Operational Strategies, Motivation, and SWOT Analysis***

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**Abstract:** In recent years, the scale and number of mergers and acquisitions (M&A) between companies have been steadily increasing, with M&A becoming the primary choice for expanding their businesses. However, M&A between internet companies often involves many uncertainties. This paper first analyzes the operational strategies and merger motivations of Didi Chuxing and Kuaidi Dache (now DiDi and Dida respectively), and then applies the SWOT analysis method to analyze the strengths, weaknesses, opportunities, and threats of this merger event. Finally, the paper summarizes the pros and cons of this merger event and provides recommendations. The research findings of this paper indicate that the merger motivations of this merger event mainly include reducing market competition pressure, achieving resource integration while expanding market share, and seeking more development opportunities. The SWOT analysis shows that the strengths lie in resource integration and internationalization, the weaknesses involve strategic risks, the opportunities can be harnessed through synergy effects, and the threats involve potential negative impacts of monopolies on the market. By formulating the correct strategic theories, enhancing core competitiveness, and effectively utilizing synergy effects, the success rate of corporate mergers and acquisitions can be improved, providing feasible ideas for M&A in China's ride-hailing industry.

**Keywords:** Didi, Kuaidi, strategic merger

## **1. Introduction**

With the progress of economic globalization, there has been an increasing frequency of exchanges between companies worldwide. In this context, mergers and acquisitions (M&A) have become one of the choices for companies to continuously develop themselves. With the emergence of the "Internet Plus" era, M&A between companies has also shifted from traditional industries to internet companies, giving rise to the online car-hailing industry. The online car-hailing industry typically refers to the sector that provides pre-booked taxi services through online platforms. Its development can be traced back to the widespread use of the internet and mobile internet. Traditional taxi services face issues such as supply-demand imbalances and inconsistent service quality. In contrast, online car-hailing services leverage internet technology and big data analysis to provide more convenient, efficient, and personalized travel experiences.

Didi Dache was founded in 2012 as a mobile application that initially provided taxi-hailing services. With the rapid growth of its user base, Didi Dache gradually expanded its business scope to

include various transportation options such as express cars, premium cars, carpooling, and traditional taxis. By leveraging big data analysis and intelligent dispatching systems, Didi Dache has improved travel efficiency and service quality. In 2016, Didi Dache merged with the internationally renowned ride-hailing platform, Uber, and established dominant market position in China.

Kuaidi Dache, founded in 2012, is Didi Dache's main competitor. It is also a mobile application that provides taxi-hailing services, allowing users to book taxis through their smartphones. Kuaidi Dache partners with taxi companies to provide professional taxi services.

In February 2015, Didi Dache and Kuaidi Dache announced their merger. According to the statements from both companies, the new entity would implement a co-CEO system, with Cheng Wei, the CEO of Didi Dache, and Lv Chuanwei, the CEO of Kuaidi Dache, serving as joint CEOs. Additionally, the personnel structure of both companies remained unchanged, and their businesses would continue to develop independently while retaining their respective brands. In September of the same year, Didi Dache announced its rebranding as Didi Chuxing. Thus, the merger between Didi Dache and Kuaidi Dache came to an end. This article uses the case of Didi Dache's acquisition of Kuaidi Dache to analyze the reasons behind the merger and the potential issues that may arise, employing the SWOT analysis method.

The remaining sections of this article are structured as follows: The second section first analyzes the operational strategies of both companies and examines the motivations for the acquisition from the perspectives of market competition, resource integration, and development opportunities. The third section applies the SWOT analysis method. The fourth section presents the conclusion.

## 2. Operational Strategy and Merger Motivation

### 2.1. Operational Strategy

From Table 1, it can be seen that both Didi Dache and Kuaidi Dache used fare subsidies as a means to increase user stickiness. This strategy brought significant financial burdens to both companies. In an attempt to gain market share through a "price war," both companies incurred substantial financial losses, which ultimately pushed them towards cooperation.

Table 1: Comparison before the merger of Didi Dache and Kuaidi Dache.

	Didi Dache	Kuaidi Dache
Number of Users	Over 20 million	Over 23 million
Number of Drivers	Over 300000	Over 400000
User Management	None	User Grade + User Points
Methods to Increase User Stickiness	Fare Subsidies	Fare Subsidies + User Points
Payment Methods	WeChat Pay + Offline Payment	Alipay + Offline Payment
Surge Pricing Range	0-20 yuan	0-50 yuan
Data source: [1-3]		

### 2.2. Merger Motivation

Firstly, to reduce market competition pressure: Didi Dache and Kuaidi Dache, as the two major players with a large user base in the Chinese ride-hailing industry, have always competed in terms of market share and user numbers. Through the merger, competition pressure among rivals can be reduced, leading to an improvement in the overall profitability of the industry [4].

Secondly, to achieve resource integration and expand market share: Didi Dache and Kuaidi Dache each have their own strengths and characteristics in operations and technology. Didi Dache focuses

on diversified services, including ride-hailing, carpooling, taxis, and premium car services, catering to various user needs. Kuaidi Dache, on the other hand, emphasizes localized operations, gaining a deep understanding of local market demands and characteristics. Through the merger, not only can resource integration and sharing be realized, but market share can also be further expanded, increasing user numbers and business scale. This will contribute to improved operational efficiency, cost control capabilities, brand influence, and market competitiveness [5].

Thirdly, to seek more development opportunities: After the merger of Didi Dache and Kuaidi Dache, they can leverage technological innovation and resource integration to provide more diversified and high-quality services. This will help meet the different needs of users and enhance their overall experience. From the current market situation, the entire market is approaching saturation. In this scenario, it is wise to stop the "price war" and cooperate to enhance brand influence and market competitiveness [6].

### 3. SWOT Analysis

The merger of Didi Dache and Kuaidi Dache is a significant event in the Chinese ride-hailing industry and has had a profound impact on Didi Dache and the entire industry. In the following article, we will use the SWOT analysis method to conduct a detailed analysis of this event.

#### 3.1. Strengths

The merger of Didi Dache and Kuaidi Dache, as the two major players with a large user base in the Chinese ride-hailing industry, has further strengthened the brand influence of Didi Dache. This will make Didi Dache enjoy a higher level of trust and recognition in the minds of users. Additionally, the merger allows for the integration of resources, including vehicles, drivers, and platforms, which will enable Didi Dache to better meet the needs of users and provide more efficient and convenient services.

On the technological front, besides traditional transportation services, Didi Dache can further expand into other related fields such as logistics, ride-sharing, and autonomous driving. This helps Didi Dache reduce dependency on a single business and improve the company's profitability and risk resistance. Additionally, Didi Dache can utilize Kuaidi Dache's international business network and resources to accelerate its expansion into overseas markets. After the completion of the strategic merger, Didi Chuxing started exploring international opportunities. In August 2015, it invested in Southeast Asia's Grabtaxi, in September 2015, it invested in India's Ola, and in April 2016, it made a strategic investment in the United States' Lyft [7].

#### 3.2. Weaknesses

When the same company is in different stages of development or when different companies are in the same stage of development, their business models, development goals, and strategic planning may not be consistent. If there are inconsistencies in the development goals, strategic planning, and implementation measures of the merging parties, it can severely impact the capital investment proportion and development planning of the new merged company. This, in turn, can hinder the business development and further expansion of the enterprise and even seriously affect the efficiency of capital utilization and the progress of the entire company. After the merger of Didi Dache and Kuaidi Dache, they have obtained stronger financial support, improved the previous blind competition mechanism, and diversified the payment methods. However, at the same time, the original development strategies of both parties may undergo changes, which will lead to the aforementioned series of issues [8].

### 3.3. Opportunities

Didi Dache and Kuaidi Dache have certain differences in their business models and service scope. Through mergers and acquisitions, synergistic effects can be achieved. Synergistic effects mainly include internal and external effects. Internal synergistic effects refer to the process of enhancing internal collaboration and improving internal management level during business expansion, through the integration effect formed by the sharing of certain resources or technologies. External synergistic effects refer to industry peers and companies in the same field strengthening information exchange, enhancing technology and resource sharing, integrating their respective advantages, improving competitive advantage, and enhancing profitability. Resource sharing between companies is one of the reasons for achieving synergistic effects, mainly through mergers and acquisitions to share technologies, business, and experience among companies.

Synergistic effects are prevalent in various aspects of enterprises. For example, operational synergistic effects are manifested in a company's operational activities; management synergistic effects are reflected in internal management; sales and marketing synergistic effects are evident in a company's sales. Therefore, synergistic effects can impact multiple aspects of a company, help improve internal management efficiency, promote collaboration among departments, achieve complementarity in sales, business, and experience, perfect the company's management concepts, enhance overall strength, and reduce internal management costs. Ultimately, the goal is to achieve synergistic effects [9].

After the merger, Didi gradually reduced or even eliminated subsidies for ride fares. This led to a significant decrease in user acquisition costs while gaining the original Kuaidi users. The cost reduction and increased sales directly brought about significant synergistic effects for Didi's operations. Data shows that in 2015, Didi's total number of orders and users reached 1.4 billion and 250 million, respectively. By the end of 2017, Didi's total number of orders exceeded 7.43 billion, with over 450 million users [10]. This demonstrates the operational synergistic effects brought about by the merger of Didi and Kuaidi.

### 3.4. Threats

As the two giants in the market share of the online car-hailing industry, the merger of Didi Dache and Kuaidi Dache has rapidly expanded the scale of Didi Dache. From the perspective of China's anti-monopoly law, there is a significant risk of monopoly. Moreover, this merger has greatly changed the industry landscape and resulted in an oligopoly that is not conducive to the development of the entire industry, bringing negative impacts to society, which the government is unwilling to see. It may lead to government regulation of the industry.

## 4. Conclusion

Taking the merger of Didi Dache and Kuaidi Dache as an example, we can use SWOT analysis to identify its strengths, weaknesses, potential opportunities, and risks. In terms of market competition, the merged Didi Dache will become the absolute leader in China's transportation market, significantly increasing its market share. This will reduce the number of competitors in the market, leading to further concentration of market competition. In terms of service innovation, Didi Dache will integrate the resources and technological advantages of both companies to provide higher quality and more diversified transportation services. Regarding prices and fees, the merged Didi Dache will inevitably adjust travel prices and service fees. Due to the end of the "price war," there may be a decrease in fare subsidies, resulting in increased costs for users and potential user churn.

In summary, for Didi itself, this merger is undoubtedly more beneficial than detrimental. It establishes the foundation for Didi Dache to become the leader in the online car-hailing industry.

However, it also brings a series of issues such as monopoly and user churn, which will affect the future growth and development of Didi Dache. Only by formulating the correct strategic theories, improving core competitiveness, and utilizing synergistic effects can Didi Dache continue to grow and develop in the future.

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