

# Study on the Dilemma and Breakthrough of Sharing Economy in Post-Epidemic Era

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**Abstract:** Sharing economy became more and more popular in recent years, sharing bikes, sharing power bank all have showed the definite expectable prospect. The COVID-19 has the direct influences to the whole sharing industry includes both dilemma and breakthrough. How sharing economy plays an significant role in our daily life? Has sharing economy been affected negatively due to COVID-19? This paper is going to analyze the challenges that sharing economy like Hello bikes met and the breakthrough for the further development of sharing economy.

**Keywords:** Sharing Economy; Dilemma; Breakthrough; Covid-19; Post-Epidemic

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## 1. Introduction

The sharing economy is a socio-economic system built around the sharing of resources. In recent years, sharing economy has developed well in the world. In China, the sharing economy market transaction scale is increasing rapidly and continuously. It grew rapidly from 2.08 trillion yuan in 2017 to 3.38 trillion yuan in 2020, with a compound annual growth rate of 17.6%. According to the market structure of economy, the China's sharing economy market mainly includes seven specific segments, including living services, production capacity, knowledge and skills, transportation, shared office, shared accommodation, and shared medical care. In 2018, the transaction volume of sharing economy in China reached 2,942 billion yuan, up 41.6 percent from the previous year. In terms of market structure, sharing economy transactions in living services, production capacity and transportation ranked the top three, accounting for 1,589.4 billion yuan, 823.6 billion yuan and 247.8 billion yuan, respectively. In terms of development speed, production capacity, shared office and knowledge and skills saw the fastest growth, up 97.5 percent, 87.3 percent and 70.3 percent respectively over the previous year.<sup>[1]</sup> With the expansion of the scale of sharing platform enterprises and the maturity of business models, the sharing economy industry gradually attracts the attention of capital. In 2018, China's sharing economy directly financed 149 billion yuan, down 23.2 percent year on year. The direct financing of knowledge and skills, transportation and production capacity ranked first, with 46.4 billion yuan, 41.9 billion yuan and 20.3 billion yuan respectively.<sup>[1]</sup> By the end of 2018, 83 of the world's 305 unicorn companies were Chinese, including 34 Chinese companies with typical attributes of the sharing economy, accounting for 41 percent of the total number of unicorns in China. In 2018, another 11 sharing companies joined the ranks of unicorns for the first time.<sup>[1]</sup>

The sharing economy is based on digital economy which refers to the use of information technology to create or adapt, market or consume goods and services. Sharing economy promoted specific field like transportation. Based on big data, artificial intelligence reallocate resources in a more efficient way on the Internet terminal which is considered as a platform. Sharing cars like Uber provided much more convenient transport ways for consumers.

Information technology can reduce the market failure like information failure in advance. Since there may be less cost of production during the process, sharing enterprises can offer consumers a lower price which can satisfy consumers to the greatest extent. Take sharing cars as an example again, Uber rented cars instead of purchasing cars and this action brought a relatively low price which is even lower than the price of taxi and metro.

Sharing economy shows a huge potential prospect but still with some limitations. The market occurs because of there is the demand, there's less demand of sharing bike and sharing power bank due to COVID-19.

## **2. The dilemma of sharing economy**

### **2.1 Impact on expansion due to COVID-19**

Due to the continuous impact of the epidemic, the difficulty of launching more sharing power banks in large malls and street stores has increased, since there is a significant decline in the customer flow. Take Energy Monster—a brand of shared power bank as an example, by June 30, 2022, Monster Charge's service covered 895,000 POIs, compared with 845,000 POIs launch in 2021 and 664,000 in 2020. These data can apparently show an extreme slow increasing rate compared to previous one in 2020. [7]

### **2.2 Specific area of sharing economy that rely on offline activities**

Due to the continuous impact of the epidemic, sharing power banks are not the only one type of sharing products which are affected. Sharing bikes, sharing living services and sharing cars are all have one thing in common—relying on offline services.

To sharing economy-based services sector, they rely much on customers. There are a wide range of factors may influence customers' attitudes to the service, such as income, mood, experiences. The good relationship with customers is necessary for employees in sharing economy-based service sector.[6]

### **2.3 The single and simple business model**

According to official data of Energy Monster which is a brand of shared power bank, from 2019 to 2021, the mobile device charging business contributed 1.924 billion yuan, 2.712 billion yuan and 3.456 billion yuan, respectively, accounting for 95.2%, 96.5% and 96.4% of the total revenue of each year. By the first half of 2022, revenue from this business increased further to 97.4%.[7]

From their operation, we know that the revenue generated will be divided by the merchants by 50%-75%. Considering the high proportion of the mobile device charging business mentioned above, it can be directly said that the merchants directly share the majority of the enterprise's profit.

It is true that enterprise can get market information by this way of operation, it may refute the main objective which may be profit maximization. At the same time, merchants don't need to pay all costs of repairs. This problem seems more obvious when there's a recession in the whole industry due to the epidemic.[7]

## **3. Breakthrough**

### **3.1 No barriers and no information failure**

Since the sharing economy is a combination of Internet and digital economy, the Internet can break the barrier, both enterprises and consumers can receive market information directly, successfully reduce the possibility of information failure. To be more specific, consumers may benefit from it by receiving a lower price without the middleman.

### **3.2 Shared employee**

The catering industry had a recession due to the COVID-19, but e-commerce platform have seen a surge in demand simultaneously. As a result, many employees in the catering industry faced short-term unemployment but there was a lack of labour in e-commerce since consumers started to choose delivery services. The solution for this situation is sharing workers, employees in the catering industry transfer to the e-commerce platform, engaged in assembly, picking and other work. This model case is a win-win situation, which not only decrease the press of operation without profit and unemployment issue, but also solve the problem which is the lack of labour in the e-commerce platform.[4]

Digital economy has narrowed the distance between two different business sectors in different industries, facilitated the rapid implementation of all aspects of employee transfer procedures, and realized the rapid and accurate matching of supply and demand in the case of information explosion, so that labor resources can flow effectively.

## 4. Suggestions of general directions for further development of sharing economy

For sharing goods which rely on offline activities, the enterprises should continue to stimulate and discover the potential of the sinking market. According to the research, compared with the competitive first-tier and second-tier cities, the coverage rate of sharing power bank business in third-tier and lower-tier cities is not high, and the user scale and consumption have full potential. It is known that in 2020, the POI penetration rate of shared charging in third-tier cities and below is only 3.7%, about 1/5 of the penetration rate of first-tier and second-tier cities, indicating the great potential of shared charging in the sinking market. [7]

Control the cost of production and operations. The epidemic leads a destroy to the whole industry, Consumers income may also be influenced, so the businesses must not adjust the price to a higher price because consumers are sensitive to any changes in price, setting a higher price may let the business lose the competitiveness. The rising costs of production, operation and maintenance, depreciation and other costs in the sharing economy drive up the price of shared consumption. In addition, putting private locks on shared bikes and occupying shared massage chairs have not only wasted resources, but also increased operating costs. [3] Therefore, the businesses need to control and reduce their cost of production in order to guarantee the survival and continuity of their businesses.

For sharing economy such as sharing workers, this is a model of operation that can be promoted but the relative department needs to introduce a relatively complete set of regulation as soon as possible to have a more effective management. In post-epidemic era, more people get used to order food and some staffs online, the sharing workers can be a practical model of operation to decrease the rate of unemployment and reach the allocative efficiency.

To guarantee the sustainability, the sharing economy can combine with green economy. For example, new energy is a part of green economy, and sharing new energy charging pile has a high potential since it is promoted to increase its coverage. From August 26 to 28, the 2022 World New Energy Vehicle Conference will be held. Experts at the meeting said that at present, the cumulative global sales of new energy vehicles exceeded 20 million. In the first half of 2022, more than 4.22 million new energy vehicles were sold globally, up 66.38 percent year-on-year and setting another record. Among them, China's new energy vehicle sales reached 2.6 million, accounting for more than 60% of the global sales; The market penetration rate has exceeded 21.6%, and the number of vehicles has exceeded 11 million. [2] Therefore, the businesses can consider some new sharing products which are friendly to the environment and have a positive effect in economic growth.

## 5. Conclusion

To summarize, sharing economy like shared bikes should not increase too much in their price in order to lose customer loyalty and competitiveness. In stead of increasing the price, the control the cost of production may be a better ways to increase profit. In general, sharing economy is significant in today's society. Combining with green economy can create a win-win situation which can benefit then environment.

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