THE SHARING ECONOMY PHENOMENON IN THE COVID-19.

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Abstract*. The objective of this study is to examine the effect of the Covid-19 on sharing economy activities. These effects are contradictory. On the one hand the impact of lockdown restrictions has mostly affected a lot of sectors of the sharing economy adversely and for them the problems of reducing incomes and employment have become relevant. On the other hand the sectors that are booming during pandemic thus the sharing economy platforms and government have opportunities to invest in these sectors to jump-start the economy. The Covid-19 has brought some positive outcomes, however, in that it has compelled various stakeholders to improve their sharing services and develop them into a mature industry. The study shows how the sharing economy is coping with the changing environment caused by the Covid-19 from the perspective of firms, service providers, service customers, and regulatory bodies.*

Keywords*: sharing economy, pandemic, COVID-19, lockdown restrictions, platforms, accommodation, transportation*

***Introduction*.** With the growth of prosperity in the world and the development of Internet technologies, new models of consumer behavior have appeared. Today, it is more valued to receive utility from the product, the possibility of its use, rather than owning it. Based on this, many resources, goods or services can be divided between several consumers, who are not the owners of these goods. These items are generally supplied by a community-based online platform. It is this aspect that characterizes the sharing economy (SE), which became widespread in the early 2010s and received even greater development in the context of digitalization of economic activity. The sharing economy is a novel business model, with many companies leveraging the technological advancement by building their businesses on this kind of business model like Uber, Airbnb, Zolo, Ola and so on. [3]

COVID-19 pandemic has affected the economies around the world and the sharing economy as well. The main goal of this work is to analyze its effect on the sharing economy and of the impact of lockdown restrictions on the major sectors of the sharing economy such as vehicle sharing, accommodation, and delivery services. Through content analysis, the study shows how the sharing economy is coping with the conditions caused by the COVID-19. In order to achieve this a several objectives were defined: to examine the current situation in three major sectors of the sharing economy, highlighting both the negative and positive aspects of the impact of restrictions and health regulations in the context of COVID; to forecast the perspective of firms, service providers, customers, and regulatory bodies in the context of the further development of this type of economy; to research the business and government opportunities to invest in these sectors to jump-start the economy. This study is based on a qualitative approach and has a global and national setting. Our data collection focuses on capturing the state of the sharing economy amid the pandemic based on secondary data sources.

1.Concept of Sharing Economy and its main sectors

The ability to use things not possessing them, mobility, freedom are becoming today value-based orientations for many consumers in the world. Changes in traditional consumption model conditioned by the property possession of goods/services or resources, as well as the development of information technology conduced to the emergence of a new model of consumption during the Global Financial Recession of 2008-2010 – collaborative consumption, and the economy began to be called the sharing economy.

The essence of this consumption model lies in the fact that many goods/services, resources can be shared and used by several consumers who are not their owners. Goods/services, resources remain in either, private, collective or state ownership, that is, the foundations of market economy are preserved. Only property rights are shared between participants in economic relations.

Sharing economy - this term was first introduced in the economic literature by the professor of Harvard University Lawrence Lessing, who took up the position that it is more convenient to pay for access to a product than to own it [6], as well as by the researchers Rachel Botsman and Roo Regers. They were the ones who gave the definition of this type of economy as an economic model based on the exchange, trade and rent of products and services, which allows access to property without owning it [4].

Why are we talking about the economy? The answer is that the new consumption model, on the one hand, has led to the development of entrepreneurship and the emergence of thriving business firms in the fields of transport services, the provision of housing for tourists and business partners, financing and work force hiring. This led to the formation of a complex sphere of the economy based on certain principles that contribute to the renewal of market relations that has received a new impetus for development in the context of the digitalization of economic activity: with the appearance of digital platforms, mobile applications and access to the Internet [17]. Experts identified 17 sectors and 47 subsectors for on-demand services, fashion, and food delivery, with 165 unique actors operating. [5] On the other hand, its growth rate is so rapid, and its scale is so significant, that it is simply impossible not to notice its "vitality". According to experts, the global SE market is expected to grow from US $15 billion in 2015 to US $335 billion in 2025 [10]

Due to IT technologies, the collaborative consumption economy has changed the relationships between buyers and sellers at the microeconomic level: it made them simpler and more convenient, reduced transaction costs, removed many intermediaries, reduced the environmental burden, contributed to a more rational use of goods, faster realization of consumer desires and better respond to their needs. This explains such a rapid development of entrepreneurship in this area, which is represented by P2P companies, on whose platforms goods/services are exchanged between their owners and those who need them, as well as the companies operating in the B2C segment.

The contribution of this type of economy to the development of the national economy is not determined by official statistics, though, in the countries such as China, Japan and South Korea, the issue of including this economy in official statistics is on the agenda of the governments [9]. Only in few studies and for few countries can one find information on the part of the economy of collaborative consumption in GDP. According to the World Bank, China is the world leader, the part of sharing economy is expected to grow up to 20% of GDP. [11]. In the EU-28, the sharing economy is more advanced in France (25% of the total value), in the UK (17%), in Poland (10%) and in Spain (10%) [13].

The *transport* sector refers to one of the most developed sectors of the economy under consideration. The use of empty seats in private cars, the reduction of energy consumption and exhaust gases emissions into the environment, the reduction of road traffic, the satisfaction of locomotion needs, mobility – these features determine the growth of this segment of collaborative consumption.

Among the services provided within the framework of the sharing economy, the most widespread are: car sharing (short-term car rental from a private person with the use of a mobile application); carpooling (a type of longer car rental); ridesharing (sharing a car for a trip planned by a driver for his own purposes, while fellow travelers compensate only fuel costs. BlaBlaCar, a service, which is used by more than 65 million people in 22 countries around the world); taxi service Uber, which operates in 700 cities around the world can serve the examples of this [17].

In the Republic of Moldova, transport services provided by the sharing economy are also being developed in new taxi services. Using mobile applications Itaxi, YandexGo you can quickly order a taxi from anywhere in Chisinau and its suburbs at very reasonable prices. Most trips, especially on holidays and pre-holiday days, are carried out by car owners in their spare time.

Residents have rightly appreciated this service. TAXIME, Zaednonapat, SPARK are car-sharing services providers on the Bulgarian market. SPARK is the first company offering electric cars for mobility in Sofia [1].

Tourism is the next most important industry where collaborative consumption has spread and propelled Peer-to-Peer accommodation all around the world. According to the forecasts of the World Economic Forum, by 2025, 17% of the profit (9 billion US dollars) from the provision of accommodation facilities will be provided by the short-term rental sector [14].

The existence of these rental options: makes it easier for travelers to find more affordable and flexible local accommodation options that previously did not exist at all; helps to diversify tourism geographically; digital technologies significantly reduce the cost of collecting, storing, and transmitting data on the behavior of travelers; reduces barriers to entry into the industry for entrepreneurs and allows to receive additional income for the population that provides rental housing; contributes to the development of rural tourism, etc. For example, Bulgarians increasingly share room, entire apartments and houses as an alternative to hotels.

More than ever, this aspect is of interest to the Republic of Moldova, where, in modern conditions, much attention is paid to rural tourism. Due to the seasonal nature of this type of tourism, the construction of a hotel complex in rural areas is not always justified. In our opinion, the solution of the problem is in the way of renting accommodation facilities by tourists from local residents. This will also expand the demand segment by increasing the number of tourists with children or those who travel, for example, with animals.

Airbnb, Homestay.com, and Home Away are the examples of the sharing economy businesses that provide owners with the opportunity to rent out premises to tourists for a short-term. Low service costs, as well as environmental friendliness of the services provided (for example, according to a study made by the company itself in Europe, tourists using P2P rental services use 78% less electricity, consume 48% less water and leave 28% less waste compared to hotel guests) make the company a serious competitor to large hotels within the hotel services market [6]. Thus, in 2018 in the United States, the company's profit was comparable to the profit of the Marriott hotel chain [8].

Importance of the sharing economy, especially in the accommodation and transport sectors, necessitates an analysis of the effects of the Covid-19 in order to determine its survivability.

2.Sharing economy: cost of the Covid-19

The Covid-19 has significantly affected the sharing economy. This effect is contradictory. On the one hand, the Covid-19 has accelerated the reduction of economic activity in some industries: thousands of people have lost their jobs, the value of firms has dropped, and many service providers have stopped their activities. On the other hand, the Covid-19 has affected some sectors favorably. For example, the sharing economy meal-delivery businesses like Uber Eats have seen their business increased significantly having been boosted by the Covid-19 [9].

The Covid-19 has affected sharing economy platforms, service providers and customers. *Sharing economy platforms costs*: significant loss of customers, investor devaluation, unexpected demand from service providers, booking cancelations, confusion in refunding customers and service providers, wages reduction for employees and so on. Due to the coronavirus crisis, most companies did not communicate well with their employees, service providers, and other external stakeholders.

Booking cancellations took place across the world. AirDNA, an organization that tracks Airbnb bookings, found a 53% fall in US bookings between February 3 and April 13. A survey for Newsy, meanwhile, found that 27% of people are less likely to use car sharing post-Covid-19. Airbnb bookings were also blocked in some cities. [5].

Service providers' costs. The worldwide travel restrictions that have been put to minimize the spread of coronavirus have affected negatively on the search intensity for ride-hailing (Uber and Lyft) and accommodation (Airbnb and Couchsurfing) services. This decrease in demand

means that millions of drivers of ride-hailing applications have become unemployed and they require financial support. For example, Airbnb has set up a $250 million fund to diminish the financial losses incurred by providers due to booking cancellations [2].

The sharing economy differs from other businesses, because service providers, who own resources like cars and properties, are not employees of the parent company. Sharing platforms consider service providers (e.g., Uber drivers and AirBnB hosts) as contractors, thus platforms are not responsible for insurance and social benefits [5]. Unemployed drivers have no access to unemployment benefits and have only one opportunity: to drive in order to provide for their families.

Uber drivers have lower incomes and fear being affected by the Covid-19. A recent report states that 53% of 871 surveyed drivers are concerned about earnings having fallen by 67%. Many people also lost jobs in the SE sector across the world: Uber and Airbnb reduced their workforces by 14% (3700 employees) and 25% (1900 employees), respectively [5].

Many sharing economy drivers have stopped working over fears of being infected, because passengers affected by the Covid-19 can also pass the virus to drivers. The sharing economy providers and customers both have increased hygiene costs. Uber has also mandated that all drivers and passengers wear facemasks, and it suggests changing gloves between customers. This means when a driver does 15 rides or deliveries a day, he needs 15 pairs of gloves. Social distancing, hygiene, and safety remain a serious problem in the sharing economy.

Customers' costs. The sharing economy customers needed to cancel Airbnb accommodation bookings, and most people stopped using Uber's service. The number of guests staying in the sharing economy properties also decreased significantly. Some sharing economy services came to complete halt in various cities, and some customers had difficulty travelling. For example, customers complained about having to prove they could not travel due to national safety measures in order to obtain a refund from the platforms. Instead of refunding payments, SE platforms offered credit for future use, but customers wanted their money back.

Millions of people in the sharing economy sector have remained without their livelihoods.

3. New opportunities for sharing economy: **how sharing economy can be reconsidered**

In all cases, however, the Covid-19 has forced organizations to transform their business strategies in accordance with the changing environment. The most important activity of sharing economy business has been identified during the Covid-19 period: long-term planning, such as restoring consumption, establishing a new social identity, and finding stable jobs [5]. The largest online stores have begun offering customers a contactless delivery service, at which the purchase is paid online, and the courier delivers the order to the door of an apartment or a house, whence the customer picks it up. Such offers appeared on the website of Wildberries, Ozon and other market leaders in e-commerce. [14] Herewith, the formation of door-to-door delivery habit allowed to expand the geography of involvement in the sharing economy.

In Moldova, during the pandemic, door-to-door delivery has also become widespread. Using the GLOVO mobile app, you can purchase both food and other products for consumer without leaving home.

At the same time, the fear to get infected stimulates an increase of demand for goods and services sharing, that allows to avoid infection. In China, for example, short-term bike rental operators reported a triple increase in rides during the pandemic [12]. Trying to avoid traveling on public transport, people are looking for an alternative safe and cheap way to travel. In many countries, self-isolation has caused rapid growth of the demand for country realty rental. The opportunity to leave the city, where the risk of infection is higher, attracted many. And today due thanks to lower cost and ease of use, the sharing economy remains popular among consumers, service providers, and entrepreneurs [5].

Even if the pandemic results in the victory of the idea of owning over the idea of renting, this does not mean that the sharing economy has failed. Ownership models are being transformed through the development of technologies. Now, with a subscription, you can get an access not only to entertainment and educational platforms like Netflix or Smart Reading. The subscription model

also covers material objects and assets. The German startup Grover, which offers a variety of equipment by subscription – from smartphones and laptops to smart watches and even drones, attracted more than €100 million of investments by the end of 2019. Herewith, the Grover stock exceeds 100 thousand devices [7].

One of the global trends in the development of sharing is the transition of the sharing model to the B2B segment. More and more companies from various sectors of the economy (construction, agriculture, energy, logistics, medicine) are realizing the advantages of the model and the opportunities that it provides. On the one hand, the sharing of resources allows companies to capitalize idle assets (equipment, premises, personnel), on the other hand, to reduce the cost of using these resources. In the post-pandemic world, a distributed model of business organization, in which everything can be quickly rebuilt will lead, and the sharing of employees, premises, vehicles will once again become a profitable solution [15].

Today, sharing, or co-consumption, is an important component of the circular economy. Sharing allows you to significantly increase the efficiency of resource use (whether it is a room, a car, packaging or labor), proportionally reducing the need for the production of new products, reducing the carbon footprint of the supply chain, reducing the amount of waste generation. Economic development in the circular model is ensured primarily through the most efficient use of the resources already involved in the turnover. The circular model underpins the UN's seventeen Sustainable Development Goals, which promote a balance of economic, environmental and social priorities.

Food sharing is also becoming popular, which allows you to distribute food products through online services, the useful life of which expires, preventing their transition to waste status. This contribute to a more rational use of food and its transfer to those in need.

Conclusion. An analysis of the structure, characteristics and principles of the sharing economy allows us to conclude that it is a complex sphere of the modern economy based on the principles of cooperativity, collaboration, environmental friendliness, accessibility, equality and transparency, which has been developed on the basis of the network economy. Despite its rapid spread, this model of economic development is characterized by a number of contradictions. Countries in conditions of lockdown due to the high infection rate of COVID-19 despite the enormous economic cost associated with it. Transportation and accommodation are two of the biggest sectors of sharing economy and these two are most adversely affected by lockdown restrictions. This situation has left millions of workers of these sectors out of jobs and they are not even entitled to basic labor protections because they are considered independent contractors instead of workers. [2]. Countries should fully utilize the rapid digitization that occurred due to COVID-19 related lockdown and should invest more in these sectors of sharing economy to boost their economies and create jobs for recently unemployed workers. The enhancement of the sharing economy can be one of the hidden economic opportunity of COVID-19. For example, an upsurge is observed in the platforms associated with freelance, delivery and entertainment sectors [2].

No studies of this economy have been carried out at the level of the Government of Moldova. There are also no official data on the volume of investments in the sectors of the economy. The government's position on supporting business in this area is also neutral. Looking to Stela Baltova and Albena Vutsova: “The Bulgarian government is rather passive or neutral for the time being regarding the regulation of the collaborative economy and to develop a business environment that encourages this economy” [1].

In order to regulate and develop SE, levers contributing to the emergence of its new structures and ensuring its security both, within the country and at the global level, are needed. We agree with the opinion of expert A. Chulok that we have yet to realize the limits of such an economy [16].

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