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The Positive Effects and Benefits of Second-Hand Economy in China on Its Audience Group from 2010s to 2020s

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ABSTRACT
This paper focuses on the overall development of the second-hand market, analyzing the development and trends in the past 14 years since 2010, including the evolution of existing forms, benefits, reasons for profits, and market opportunities. In addition, it also puts forward the existing drawbacks of the second-hand commodity trading market and gives suggestions for solutions.

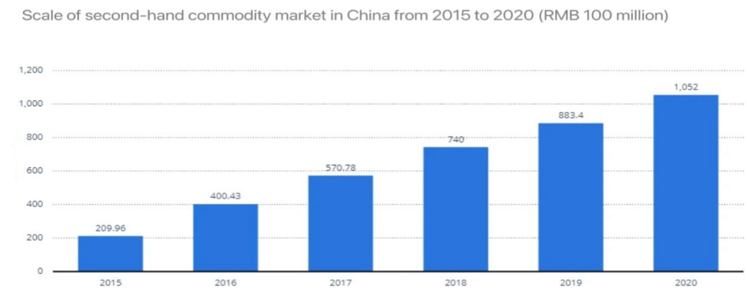
KEYWORDS
utilities; supply; savings; physical/spiritual benefits; lipstick effect; asymmetry information; ecometrics; discrimination; risk; second-degree price

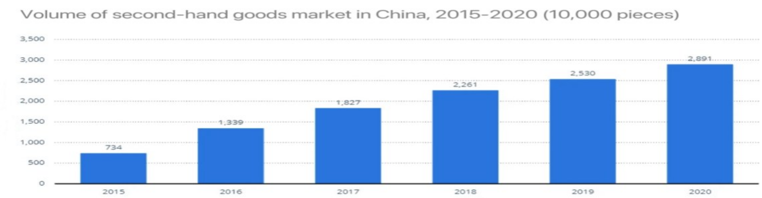
1 Introduction

For nearly a decade, with the explosion and vigorous development of the second-hand economic market, most of the second-hand idle trading platforms and offline entities have obtained a large piece of cake from this situation.In fact, the concept of the second-hand economy is not entirely the product of the economic situation in recent years, which is slightly depressed.Indeed, the second-hand economy has traces to follow from the early nineteenth century, that is, “rommage sales”. Second-hand economy has various forms, including: vintage, out-of-produce luxury goods, daily life idle goods trading. Their common features including promoting the circulation of economic money, reducing the waste of resources to maximize economic benefits, and obtaining relatively satisfactory benefits with lower cost. Compared with the conspicuous consumption in the age of material scarcity and the impulsive and excessive consumption in the age of material surplus, the consumption concept supported by the second-hand economy is more rational and frugal, which is also the reason why this economic model can healthily survive for a long time,even booming when other industries are in the recession. However, under the compound effect of the rise of various platforms, the popularity of retro style, also the economic situation is not optimistic, the second-hand economy from 2010s till now is more prosperous than that in the previous hundred years, having more economic explanations and impacts.

2 Literature Review

The rise of the second-hand economic market is undoubtedly one of the most successful phenomena at the beginning of this century(shown in the belowing 2 Bar charts).The exponential growth has made the scale of second-hand transactions in China jump from 20.996 billion yuan to 105.2 billion yuan in just five years, and the number of second-hand goods transactions has also risen from 7.34 million to 28.91 million, which is quite considerable.In my opinion, in the concept of economics, it rescues and revives the products of depreciation to a certain extent at the monetary level.





Before discussing the benefits of the rising of the second-hand economy,I would like to further explore the reasons why it is flourishing.From the perspectivie of econometrics,this must be caused by a multiple regression fucntion. Lots of things can become the parametres or endogenous variables, including but not limited to the following: the strength of people's environmental awareness,the degree of change in the stereotypical concept of second-hand goods, the quality of living standards changing...... All the possible terms may evolve in the super strong inclusive regression function, altogether lead to the real-time exdogenous variables, that is, the outcome of the function.

Then we come to the contributions. A large part of the impact of the second-hand market on economic entities is that it broadens and extends the supply chain system centered on second-hand services or goods. The prosperity of the second-hand economy has created a large number of employment opportunities for the society, including but not limited to: sales, acquisition, repair and maintenance.[1].

Another extremely important subsidiary attribute of the secondary market is its environmental protection, recyclability, and expanded selectivity. The large-scale circulation of second-hand goods makes both the commodity itself and the economy healthy as well as stably circulate, creating a new green profit-making road.[2].

Transaction costs are a non-negligible part of second-hand transactions, and the secondary market involves transaction costs because consumers have different tastes for new and used goods. From a macro point of view, monopoly sellers will lose money or gain profit because of the existence of the secondary market. He may ask for different prices for the same products in different regions or for different consumer groups, and use the secondary market as an indirect means, in order to form the second-degree price discrimination and achieve the goal of profit maximization.[3]

However, the second-hand market still has the hidden danger of buyers and sellers being cheated because of "asymmetry information", which is called "lemon market". Under the Akerlof model, sellers of (used) products often have more information than buyers, and buyers can only judge the average quality by the average price in the second-hand market, which eventually leads to high-quality second-hand goods leaving the market because the price is not satisfactory, and the inferior quality is left in the market, which is the embodiment of adverse selection.[4].Based on this situation, three following measures are proposed: 1. The second-hand buyer sends a signal to the seller that he wants to eliminate part of the information asymmetry; 2. Establish trading experience and emotional bond with repeated games; 3. Invite a third party to evaluate to ensure the relative fairness of the transaction.

To sum up, although the advantages and risks of the secondary market coexist, the overall advantages are still the majority during the 2010s ,also the 2020s.

3 Methodology

In this chapter, I introduce the boom of second-hand market in the past decade and the reasons behind it.

My research aims are as follows: 1. What are the benefits of the flourishing second-hand economic market for both buyers and sellers? 2. The phenomenon and reasons of the rapid growth of second-hand economy from 2010s to 2020s; 3. Existing drawbacks of second-hand market and suggested solutions.

The research philosophy I use is post-positivism, which is to combine quantitative data graph analysis with qualitative conceptual analysis to derive my own assumptions and understandings.In addition, both qualitative research and quantitative research methods have been used to support my academic research, the concrete embodiment is observation, calculation, and specific description of the research in the form of numbers.Finally, the data of bar chart in this article comes from both my research and China National Knowledge Network, I would like to express my sincere thanks.

4 Results

The results of this study show lindicate that in the period from 2010 to the present, the booming development of the second-hand market has brought far more advantages than disadvantages to both buyers and sellers and to the overall market whose economy is in a downturn (especially in recent years under the influence of the novel coronavirus outbreak).Camparison of this findings with those of other studies confirms that instead of supporting less promising economic models , the government should do more to support the development of hot industries, such as second-hand industries,in order to maximize social utility and satisfaction.The main research significance of this paper is to analyze the reasons and benefits of the healthy operation of the second-hand market and how to maintain this good state,the present results are significant in at least two major aspects.

5 Discussion

Based on the above research and thinking, I define the benefits provided by the second-hand economic market as two kinds: physical benefits and spiritual ones.Physical benefits refer to the part obtained by the buyer and seller through the transaction of second-hand goods through the inflow or outflow of money and various costs (including opportunity costs, sunk costs, etc.); Spiritual benefits represent the joy of buying good things at a low price or getting a limited number of out-of-print bags through the second-hand market.Either of these two benefits can improve social utilities, promoting economic development.

As a popular "win-win" trading model, the second-hand economy is no longer a synonym for "picking up garbage", but a form of economic embodiment that is tightly linked to environmental protection and satisfaction. From an economic point of view, the trend of second-hand market caused by the economic downturn fully reflects the "lipstick effect" : the economic downturn causes the shortage of funds in the hands of people to be distributed, and then they can not buy high-priced goods, but at the same time the inner desire for consumption can not be eliminated, letting they turn the consumption target to lower prices and more cost-effective goods, for example, the second-hand products. Take China as example, the annual transaction volume of second-hand idle goods was 742 billion yuan in 2018, and it reached 1, 254 billion yuan in 2020. The rapid consumption growth represents the growth of supply and savings, which is exactly the best embodiment of economic recovery and improvement.[5]

6 Conclusion

This paper has argued the reasons why the second-hand market will rise and flourish are also given a detailed analysis of this economic phenomenon: take as an example, the overall downward trend of the economy and the consumer's desire that cannot be completely reduced have created the prosperity of the second-hand market. Moreover, the existing and potential risks in the second-hand goods market are analyzed one by one and the corresponding solutions are attached. It is hoped that this paper and research can be helpful to scholars in the same or related fields.

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