

Post-Pandemic Challenges and Resilience of Community-Based Businesses in Shanghai

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ABSTRACT

Although headline economic indicators suggested post-pandemic recovery, small businesses at the street level continued to face ongoing challenges. This study examined community-based businesses (CBBs) in Shanghai's Meihua Road community, utilizing five rounds of storefront photography between 2022 and early 2026, and a questionnaire survey involving 12 shop managers in 2025. A three-dimensional framework of location, business type, and daily operations was employed to assess the resilience and policy needs of CBBs. Findings indicated that, despite macroeconomic recovery, the number of CBBs dropped sharply in 2025, accompanied by rising vacancies and deteriorating commercial conditions. Key hurdles included high rents, rising labor costs, and diminishing foot traffic. Consumption vouchers and community-driven marketing campaigns demonstrated tangible advantages for CBBs. To support the sustainability of CBBs, this study proposes targeted institutional relief from local governments, strategic spatial governance by community authorities, and adaptive operational optimizations by business operators.

Keywords: Community-based businesses (CBBs); Post-pandemic resilience; Street ethnography; Consumption downgrading; Small business support

INTRODUCTION

China's economy has demonstrated a sound overall recovery in the post-pandemic era, as GDP grew by 5.42% in 2023 and 5.0% in 2024 (1). However, macroeconomic imbalances persisted, characterized by stagnant consumption and sluggish growth in the service sector, while industrial production and investment

primarily driven economic expansion (2). Small and micro enterprises (SMEs) play a vital role in the economy, contributing 50% of national tax revenue, over 60% of GDP, more than 70% of patent inventions, over 80% of urban employment, and accounting for more than 90% of market entities in China (3). Understanding the micro-level dynamics of these enterprises, closely linked to the real economy, is essential for accurately assessing the current economic landscape and formulating effective support policies.

Due to limited access to individual-level data, existing domestic and international research on operational status of SMEs has heavily relied on macro-statistical data. However, these enterprises exhibit considerable heterogeneity. Aggregate research often obscures

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individual challenges and hinders the development of targeted solutions. To bridge this research gap, this study focuses on CBBs on Shanghai's Meihua Road, investigating their development from a community perspective to draw precise conclusions and propose tailored policy and business recommendations.

METHODS AND MATERIALS

This research primarily employs longitudinal comparative analysis and descriptive statistics as its core analytical methods. Standardized statistical metrics and classification rules are formulated a priori to govern the entire research process, thereby enhancing methodological rigor and ensuring the reproducibility of the empirical findings.

Definition and Connotation of Community-Based Businesses

In Chinese cities, residents typically reside in gated communities known as *xiaoqu*. This term appears frequently in official Chinese government documents, such as “China to start renovation of 53,000 old urban residential communities in 2023” (4). A typical community houses several thousand residents, often exceeding this number. This creates a scale and configuration that differs significantly from the detached housing prevalent in Europe and North America. The commercial facilities attached to these communities, which mainly served local residents, constituted the research object of this study. Therefore, the term “community business” suitably describes these establishments.

However, “the concept of community business does not have a clear definition accepted by everyone” (5). Doetuchi defined community business as a new type of economic actor rooted in the community, for the community, and by the community, with the core feature of balancing public benefit and operational sustainability, and which may take various forms, including non-profit organizations, cooperatives, or joint-stock companies (5). Similarly, the UK organization Power to Change has identified four core characteristics of community business: local rooted, operation for community benefit, accountability to the local community, and broad community impact (6).

The research object differed from traditional community businesses in one critical respect: it operated for profit rather than for public welfare. To clarify this distinction, this study introduced CBBs as a specific

variant: non-philanthropic, micro-scale independent enterprises located within communities, functionally embedded in them, rely on residents for customer traffic.

Formally, CBBs in this study are defined as commercial establishments meeting three cumulative criteria: spatially embedded at highly accessible street-level frontages (e.g., ground-floor shops along Meihua Road), relationally embedded through repeated, trust-based transactions instead of anonymous market exchanges, and functionally embedded via the provision of routine local goods and services such as catering, beauty care, and retail.

This definition specifically excluded several categories: corporate chain outlets lacking operational autonomy, purely digital platforms devoid of physical storefronts, community-owned social enterprises such as cooperatives, and government-owned or subsidized facilities where property rights are held by state authorities rather than independent market actors, which is distinctly exemplified by Singapore's neighborhood centers, where land and buildings are owned by the Housing & Development Board (7).

Study Area and Basic Profile

Specifically, the research scope encompasses commercial establishments along Meihua Road (Baiyang Road–Fangdian Road section) and Yinxiao Road (Meihua Road–Yinghua Road section). For clarity, “shops” in this study refers to physical spaces utilized for commercial operations, whereas “commercial establishments” refers to the service providers operating within these spaces.

This area is a well-established sub-center zone comprising four residential communities with more than 2,700 apartments, and 22 villas. During the study period, shop prices ranged from 80,000 to 90,000 RMB per square meter, with a monthly rent of about 300 RMB per square meter. These figures indicated a price-to-rent ratio of 260–300, implying a capital payback period of 21 to 25 years. This data was collected through interviews with local real estate agencies. The research scope exhibited strong community-serving characteristics during the observation window. In terms of sectoral distribution, catering constituted the largest share, at approximately 30%, followed by beauty and health care at 25%, and financial services at approximately 10%. Convenience stores and fresh food stores together accounted for 8%–9%, while the remaining 15% was distributed across miscellaneous sectors, thereby spanning virtually all facets of residents' daily domestic life.

Data Collection and Survey Methodology

This study addressed the difficulties in accessing micro-level operational data for individual shops by combining on-site field observation with a questionnaire survey to collect relevant information. Beginning in June 2022, the researcher photographed all shops within the defined study area annually during the summer months (specifically on June 4, 2022; July 30, 2023; July 14, 2024; and May 18, 2025). Furthermore, as the number of closed CBBs increased notably in the second half of 2025, an additional photo shoot was carried out in

January 2026. By analyzing these longitudinal visual records, this study monitored the number of active shops, structural changes within specific business categories, and rental status (Table 1). To gain deeper insights into the operational conditions of CBBs on Meihua Road, the researcher also administered a questionnaire survey via the *Tencent Wenjuanxing* platform (an online survey platform in China). The survey yielded 12 valid responses from store managers, accounting for approximately 17% of the total number of commercial establishments in the area (Table 2).

Table 1. Longitudinal Changes in Commercial Establishments and Leased Shop Units in the Meihua Road Community, Shanghai (2022–2026). *Total Number of Shop Units is 92.

Category	Number of Establishments					Number of Leased Shop Units				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Optical store	0	1	1	1	1	0	1	1	1	1
Tobacco & Alcohol	5	3	3	2	2	5	3	3	2	2
Pharmaceutical Store	2	2	2	2	2	2	2	2	2	2
Catering	20	22	23	23	20	23	25	26	26	23
Fresh Food	3	3	3	3	4	4	4	4	4	5
Veterinary Clinic	1	1	1	1	1	1	1	1	1	1
Tea House	1	2	2	1	2	1	2	2	1	2
Accommodation	1	1	1	1	1	1	1	1	1	1
Leisure & Entertainment	1	1	1	1	1	1	1	1	1	1
Laundromats	2	1	1	2	2	2	1	1	2	2
Auto Repair	1	1	1	1	1	3	3	3	3	3
Finance	7	7	7	7	7	11	11	14	14	14
Fitness Club	2	3	3	2	2	2	3	3	2	2
Home Furnishing	1	1	1	1	0	1	1	1	1	0
Art Gallery	0	1	1	0	0	0	1	1	0	0
Flower Store	1	1	1	0	0	1	1	1	0	0
Clothing	1	0	0	1	1	1	0	0	1	1
Real Estate Agencies	2	3	3	2	2	2	3	3	2	2
Beauty & Health Care	20	17	16	18	17	22	19	17	19	18
Convenience Store	3	3	3	3	3	4	3	3	3	3
Total	74	74	74	72	69	87	86	88	86	83
Rental Rate (%)*	/	/	/	/	/	94.6	93.5	95.7	93.5	90.2

Table 2. Operational Status, Policy Preferences, and Internationalization Needs of Community-Based Businesses: Questionnaire Survey Results from Meihua Road Community (2025). Note: Topic1-5 are single choice, Topic 6-8 are Multiple Choice, N = 12 valid responses. Subtotal = number of selections; Percentage = subtotal / 12.

Topic 1-8	Item	Subtotal	Percentage
Business scope	Catering	6	50.0%
	Fitness	1	8.3%
	Beauty & Health Care	3	25.0%
	Retail	1	8.3%
	Others	1	8.3%
Operation duration	Less than 1 year	0	0%
	1–3 years	1	8.3%
	3–5 years	3	25.0%
	More than 5 years	8	66.7%
Best operating year	2020	3	25.0%
	2021	2	16.7%
	2022	2	16.7%
	2023	1	8.3%
	2024	4	33.3%
	2025	0	0.0%
Profit situation	Substantial Loss	2	16.7%
	Moderate Loss	2	16.7%
	Break-Even	7	58.3%
	Moderate Profit	0	0.0%
	Substantial Profit	1	8.3%
Foreign customer	Almost none	3	25.0%
	Few (<1%)	3	25.0%
	Relatively few (1%–3%)	1	8.3%
	A certain number (3%–5%)	4	33.3%
	Relatively many (>10%)	1	8.3%
Most helpful policy	Tax Rebates	4	33.3%
	Consumption Vouchers	7	58.3%
	Loan Subsidies	0	0.0%
	Unified Marketing	4	33.3%
	Others	2	16.7%
Policy needs to strengthen	Tax Rebates	2	16.7%
	Consumption Vouchers	6	50.0%
	Loan Subsidies	2	16.7%
	Unified Marketing	2	16.7%
	Others	5	41.7%

Continued Table 2. Operational Status, Policy Preferences, and Internationalization Needs of Community-Based Businesses: Questionnaire Survey Results from Meihua Road Community (2025). Note: Topic 1-5 are single choice, Topic 6-8 are Multiple Choice, N = 12 valid responses. Subtotal = number of selections; Percentage = subtotal / 12.

Topic 1-8	Item	Subtotal	Percentage
International support needed	Foreign Language Guidance & Apps	7	58.3%
	Online International Marketing	4	33.3%
	Offline International Marketing	4	33.3%
	Government Subsidies for Foreign Customers	4	33.3%

RESULTS AND DISCUSSION

Changes in the Total Number of CBBs

This study examined changes in the total number of CBBs. In the two years following the pandemic, the number of CBBs remained stable but began to decline after 2024, culminating in a sharp downturn in the second half of 2025. The total number of commercial establishments remained stable at 74 from 2022 to 2024, then decreased to 72 in 2025, and further dropped to 69 in early 2026, constituting a net decrease of 5 units from 2022.

Analyzing trends through vacancy rates provided a clearer perspective. Due to the difficulty of acquiring the floor area of individual shops, precise calculation of vacancy rates was unfeasible. Instead, this study employed the “bay vacancy rate” as a proxy indicator. A “bay” referred to an independent shop unit of a street-front shop, where a single establishment could occupy one or more bays. Assuming minimal variation in bay size, the overall vacancy rate was estimated as total vacant bays divided by total bays. The community’s street-front shops comprised 92 bays. The vacancy rate stood at 5.4% in 2022, fell to 4.3% in 2024, and surged to 9.8% in early 2026. This reflected an increase of 5.5 percentage points from 2024, representing a 128% relative increase. Given the limited time-series observations, these fluctuations reflect descriptive variations rather than longitudinal statistical anomalies.

The number of commercial establishments and vacancy rates served as lagging indicators of overall economic conditions. The decline in commercial establishments coupled with the rise in vacancy rates from 2025 to early 2026 reflected the lagging structural impact of the 3.1% year-on-year decrease in Shanghai’s total retail sales of consumer goods recorded in 2024 (1).

Structural Changes in Specific Business Categories

Sectoral divergence became evident when comparing data from 2026 to 2022. Industries closely linked to residents’ daily consumption maintained relatively stable numbers. In contrast, high-consumption sectors experienced considerable declines, while catering and other industries initially rose before retreating. Specifically, categories directly related to residents’ daily lives mostly exhibited steady growth or stability. For instance, the number of fresh food stores and optical stores increased by one each, while convenience stores, auto repair stores, veterinary clinics, and pharmaceutical stores remained unchanged throughout the research period.

Categories less essential to daily life generally displayed a downward trend or an initial rise followed by a decline. The most substantial decreases occurred in tobacco and alcohol stores, as well as in beauty and health care stores, each losing three establishments. Within the tobacco and alcohol category, the 3 closed establishments were exclusively liquor-specialized stores. This trend aligned with the liquor industry’s stock market performance. The CSI China Merchants Liquor Index recorded a 38% decline from June 2022 to June 2025 (1). The number of beauty and health care stores decreased from 20 to 17, while home furnishing and flower stores dropped from one to zero. These industries are generally considered non-essential and feature relatively high per capita consumption. Thus, their decline aligned with the current trend of consumption downgrading.

Establishments such as real estate agencies, fitness clubs, and art galleries remained constant at both the beginning and end of the period with an initial rise followed by a decline. Catering, while directly linked to daily life, exhibited low customer retention at the establishment level. Amid weak consumer confidence,

the number of catering establishments decreased by 3 in the second half of 2025 after rising in 2023 and 2024. This reversal indicated that business operators initially maintained high expectations for economic recovery, but subsequent performance failed to meet those expectations. Among non-essential consumption categories, only tea houses experienced an increase of one, while the number of hotels and chess-and-card rooms remained stable at one throughout the research period.

The financial industry was an exception. While the total number of financial establishments stayed unchanged at 7, the internal structure shifted. One small-scale securities branch closed, and one large-scale bank branch opened, with existing bank branches expanding their premises. Consequently, the number of bays occupied by financial institutions increased by three. Excluding this expansion, the vacancy rate of shops in the Meihua Road community would have risen to 13%.

From another perspective, six bank branches were concentrated along a 700-meter-long street, leading to a high density of financial services. Currently, the banking sector exhibits a distinct trend of branch reduction. The net number of bank branches in China decreased by over 2,000 in 2025 (8). This structural shift is likely to further pressure rental rates in the Meihua Road community in the future.

Questionnaire Survey on the Operational Status

Among the 12 establishments surveyed, 50% represented catering businesses, 25% were beauty and health care stores, and the remainder included a fitness club, a retail store, and other service sectors. Two-thirds of these establishments had operated for over 5 years, a quarter had been in business for three to five years, and one for one to three years. This longevity indicated that

the questionnaire sample provided a representative cross-section of the local business community.

Between 2020 and 2025, four establishments identified 2024 as their best-performing year, while none cited 2025. Responses for other years were relatively evenly distributed. This trend aligned with the field survey results, which recorded the lowest vacancy rate in 2024 followed by a surge in 2025, thereby confirming the questionnaire’s high validity.

Regarding profitability, only one establishment reported substantial profits, seven broke even, while four recorded losses, which were equally split between moderate and substantial, reflecting the severe operational pressure faced by most establishments. In terms of operational challenges, high rent, high labor costs, and declining foot traffic emerged as the most critical issues. These were ranked as primary concerns by seven, seven, and six establishments, respectively. On a five-point Likert scale (1=almost no impact, 5=severe impact), these three issues received average impact scores of 3.75, 3.67, and 3.67. These findings echoed the research by Cheng *et al.* (3), which concluded that operational pressure for SMEs primarily stemmed from high operating costs followed by weak market demand (3) (Table 3).

In recent years, governments at all levels have introduced various support policies. Among the surveyed establishments, Seven regarded consumption vouchers as the most beneficial policy, while four cited tax rebates and unified community marketing. Since 2022, the Shanghai municipal and district governments distributed multiple rounds of consumption voucher, with a cumulative value exceeding 2.5 billion RMB. Additionally, tax-reduction measures for SMEs included exemptions from value-added and income taxes. From 2024, the Community authorities reported positive outcomes in optimizing

Table 3. Perceived Impact of Major Operational Challenges on Community-Based Businesses in Meihua Road Community (2025). Note: In the header row, a 5-point Likert scale is used where a higher number indicates a stronger impact: 1 = almost no impact, 2 = minor impact, 3 = moderate impact, 4 = major impact, 5 = severe impact. In the data rows, the number represents the count of selections, and the percentage in parentheses is calculated as the count divided by the total number of valid respondents (12 shops).

Question	1 (%)	2 (%)	3 (%)	4 (%)	5 (%)	Average Score
High Rent	2(16.7%)	1 (8.3%)	2(16.7%)	0 (0%)	7(58.3%)	3.75
High Utility Costs	3(25.0%)	5(41.7%)	0 (0%)	0 (0%)	4(33.3%)	2.75
High Labor Costs	2(16.7%)	2(16.7%)	1 (8.3%)	0 (0%)	7(58.3%)	3.67
Declining Foot Traffic	2(16.8%)	0 (0%)	3 (25%)	2(16.7%)	5(41.7%)	3.67
High Loan Interest Rates	5(41.7%)	1 (8.3%)	4(33.3%)	0 (0%)	2(16.7%)	2.42

street support facilities, with recent renovations further improving the external operational environment for CBBs. Significantly, no respondent found loan interest subsidies helpful, a finding that reflected the mismatch between financial sector support and the needs of SMEs.

Regarding future support, 50% of CBBs expressed a strong preference for continued consumption vouchers issuance. Meanwhile, two establishments each selected government tax rebates, loan interest subsidies, and unified community marketing. Recent visa-free and transit visa-free policies led to a surge in inbound tourism through Shanghai ports. Municipal data showed that 4.56 million international visitors entered Shanghai in 2024, double the previous year's figure. Despite this increase, CBBs on Meihua Road derived minimal benefit from this trend. Only one establishment reported a foreign customers share exceeding 10%, while the remainder reported less than 5%. Nevertheless, all establishments were positive about attracting more foreign customers: Seven expressed a need for foreign language guidance and service apps such as multilingual menus. Four establishments each advocated for online international marketing (e.g., overseas social media promotion), offline international marketing signage, and government incentivize for foreign customers.

Based on the empirical findings and operational challenges identified through field surveys and questionnaires, the sustainable recovery of community businesses requires effective synergy between policy support and enterprise-led transformation. The targeted recommendations are proposed as follows.

Institutional Relief from Local Governments

Government support programs are pivotal to the post-pandemic recovery of small businesses, not only helping them survive but also driving them to recover and thrive (9). To mitigate widespread concerns regarding high rents and labor costs, local governments should implement targeted rent and loan subsidies for SMEs and strengthen tax rebate measures. These fiscal interventions provide a necessary safety net, relieving immediate financial pressures and enabling vulnerable commercial establishments to maintain operational continuity.

Strategic Governance by Community Authorities

Community authorities should provide proactive guidance to property owners to ensure the rational introduction of new business formats within their premises. This strategic approach aims to improve long-term survival rates and reduce resource misallocation.

Institutional priority ought to be assigned to affordable categories that closely align with daily life consumption needs. Conversely, further entry into the local banking sector is inadvisable due to market saturation. Similarly, sectors such as tobacco, alcohol, beauty, and health care suggest limited capacity for new establishments due to recent declines in consumer spending. To complement these entry guidelines, community authorities should scale up promotional efforts. Financial subsidies should be utilized to attract anchor businesses, such as bookstores and cafes, that function as "third places" for social capital accumulation within economic revitalization strategies (10). Furthermore, encouraging the regulated use of outdoor seating can expand operational space, reduce marginal costs, and increase community vibrancy to attract more customers. Continued enhancement of neighborhood infrastructure, including the addition of English signage and the distribution of bilingual brochures, is also necessary to capture diverse customer segments. Such localized investments often yield significant multiplier effects; research by Rowell *et al.* (6) indicated that government investment in community business yields significant returns, with the input-output ratio in the UK reaching 1:6.

Adaptive Optimizations by Business Operators

By Q4 2025, the Shanghai Consumer Evaluation Index had fallen to 90.2, its lowest level since records began in 2009 (1). As the most sensitive end of the market, CBBs must adapt to these shifting conditions. This study proposes two critical adjustments for individual merchants. First, operators should introduce more cost-effective products and services tailored strictly to daily consumption scenarios. Second, businesses need to organize targeted community engagement activities to strengthen resident ties and foster long-term customer loyalty within the local ecosystem.

CONCLUSION

In summary, CBBs on Meihua Road showed relative stability from 2023 to 2024 but encountered significant challenges in 2025, particularly during the second half of the year. This period witnessed a net decrease of three establishments over six months, while the vacancy rate reached a recent peak. Survey data indicated that most establishments either broke even or incurred losses. These businesses struggled with prominent headwinds, including high rent, high labor costs, and diminishing foot traffic.

Concurrently, the positive impact of support measures implemented by various government levels, particularly community authorities, remains noteworthy. However, the recovery of CBBs has lagged behind broader macroeconomic growth, underscoring the necessity for more granular interventions. It is recommended that governments at all levels introduce tailored support policies, while community authorities should facilitate unified marketing and assist merchants in their operational transformation to help CBBs navigate through these difficult times.

As this research was limited to a single community and a specific time frame, its findings may lack broad representatives. Future studies should expand the geographical and temporal scope to determine whether the observed downturn in community businesses is a systemic trend or a case-specific phenomenon. Such efforts will contribute to developing more generalized and higher-level policy implications.

CONFLICT OF INTEREST

The author declares that there are no conflicts of interest related to this work.

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