

Folding Consumption: Why Price Is Not the Dominant Factor of Low-Income Groups' Consumption?

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Abstract. The urban villages in China accommodate a large number of low-income residents and are a significant part of urban planning. This study chooses residents in Majuqiao Town, a typical urban village in Beijing, as subjects, delving into the impact and correlation of urban space planning on the consumer decisions of low-income groups. The study relies on behavioral economics theories such as Habit Formation, Bounded Rationality, and Availability Heuristic, and combines these with urban planning theories such as Accessibility and Third Place Theory. The study uses field surveys and semi-structured in-depth interviews as core research methods. Based on post-interview qualitative data collected from eight participants, this study reveals that pricing does not act as the primary determinant of dining consumption patterns among all low-income demographic groups. Spatial factors such as convenience, sociality, habit, and emotion also influence the consumption behavior of these consumers.

Keywords: Urban Village, Behavioral Economics, Urban Planning, Consumption Behavior, low-income Groups

1. Introduction

As the capital city, Beijing still has urban villages with non-negligible problems such as disorder, incomplete facilities, and a spatial layout that is not consistent with the city's positioning [1]. Therefore, filling the gaps in infrastructure and public services, and optimizing the spatial layout are the key directions for the current governance of urban villages in Beijing. Existing studies mostly focus on the urbanization of urban villages, spatial features, and their developments [2-4]; few studies combine behavioral economics and urban planning to deeply explore the reasons behind low-income groups' consumption decisions, resulting in an obvious research gap.

This study will take the "folded consumption" phenomenon in Beijing's urban villages as the research topic. It will explore the key issue of "why the consumption behavior of low-income groups is not dominantly determined by price" through considering multi-faceted reasons such as accessibility and types of consumer decisions (price, habit, social, convenience, and emotion). This study will conduct an overall analysis through field surveys in Majuqiao Town and semi-structured interviews with 8 local residents, applying behavioral economics and urban planning theories. This study has potential theoretical value: it combines behavioral economics and urban planning theories

to conduct multi-dimensional analysis of consumer behavior in urban villages, integrating cross-disciplinary research.

2. Theoretical framework

It seems plausible that given their limited income, price would be the leading factor in their consumption decisions. However, the following three behavioral economics theories can explain why people's behaviors in reality are often irrational and why low-income groups do not choose the cheapest restaurants.

2.1. Habit formation

Habit formation is the process in which people may make decisions automatically based on their repeated past experiences without thinking too much [5]. Continuing to dine at the same restaurant makes people reluctant to change. If people form a fixed path of their behavior, overcoming the brain's natural resistance to change is difficult, leading to non-optimal consumption decisions.

2.2. Bounded rationality

Bounded rationality describes the cognitive scenario in which individuals cease pursuing optimal alternatives due to inherent limitations in information access, cognitive capability and time resources [6]. In short, instead of comparing all dish prices in all village restaurants, people may choose one that is roughly consistent with their psychological expectations and whose price is acceptable to them. Bounded rationality is one of the reasons that people end up dining at a restaurant that is not the cheapest.

2.3. Availability heuristic

Availability heuristic is a mental shortcut that people heavily rely on: instead of taking advantage of all accessible information, people tend to make evaluations based on information that first comes to mind and can be readily recalled [7]. For example, if the first things that come to people's minds are the restaurant recommended by friends or a spot they passed by a few days ago, they might make decisions based on these mental activities.

In addition to the psychological traits and behavioral patterns of individual residents, urban spatial planning strategies also shape residents' consumption decisions.

2.4. Accessibility

Accessibility in urban planning refers to how easily people can reach certain services, infrastructure, and social opportunities [8]. Accessibility plays a vital role in people's daily consumption behaviors. The difficulty of reaching consumption destinations determines, to a certain extent, the occurrence of consumption behaviors. When locations are easy to reach, consumption behaviors become more likely.

2.5. Third place theory

The third place is a place where people can engage in daily social activities with others, separate from their homes and workplaces [9]. Therefore, spatial design is important because the space can

affect the frequency of social activities. For example, if a restaurant has more space and seating, people may stay there longer, form social networks at this spot—the third place—and continue to consume.

In conclusion, the theories of behavioral economics and urban planning provide valid theoretical support for studying the key question. The concepts of behavioral economics indicate that consumers are not entirely rational but have psychological biases, which affect their consumption decisions. Furthermore, urban planning theories suggest that spatial planning influences consumption behaviors. From these two perspectives, price is not the dominant factor influencing consumption behavior.

3. Research design

3.1. In-depth interview questionnaire design

The questionnaire focuses on the five major factors influencing consumer decisions: price, convenience, living habit, social interaction, and emotional attachment, and combines urban planning theories centered on accessibility. The questionnaire has four major parts: basic demographic information of the respondents, daily consumption behavior characteristics, driving factors of consumption behavior, and spatial optimization suggestions.

The first part collects basic background information such as length of residence and occupation. The second part ascertains the respondents' daily dining locations, travel time, and whether the shops are convenient, in order to determine the spatial accessibility of the dining locations. The third part asks whether this restaurant is the lowest-priced one in the surrounding area, and subsequently targets five driving factors of price, convenience, living habit, social interaction, and emotional attachment. The fourth part mainly identifies the residents' evaluation of the restaurant and their specific suggestions for optimizing the dining facilities.

3.2. In-depth interview design and implementation

This study selected 8 residents from Majuqiao Town in Beijing as interviewees, with each interview lasting approximately 10 to 15 minutes. The sample covers supermarket owners, a hardware store owner, shop owners, a waste recycler, an accommodation service provider, young couples, etc. The duration of residence ranges from one year to six years. The researcher explained the research purpose and the commitment to privacy protection to each respondent before obtaining verbal consent to start the questionnaire questions. Additionally, the researcher simultaneously recorded key words from the respondents on the questionnaire form to avoid missing important information during the interview.

3.3. Five coding structure

To explicitly clarify the oral information from the respondents and conduct a classified analysis of the consumption behaviors, this study adopted five major consumption decision coding structures, which are price-driven coding, convenience-driven coding, habit-driven coding, social-driven coding, and emotional-driven coding. As illustrated in Table 1, each coding category corresponds to participants' original verbal narrations and core phrases, with consistent unified classification criteria applied across all samples. The researcher extracted key phrases from 8 interviews and matched

them with the corresponding driving factor code. After the matching process was completed, the number of respondents involved in each type of coding was counted and compared visually.

Table 1. Five coding types and corresponding definition, number of mentions, and original expressions

Coding Type	Definition	Number of Mentions	Original Expressions
Price-driven	Consumption decisions are influenced by price of dishes; consumers prioritize restaurants with low prices.	2	"The dumplings is very cheap "
Convenience-driven	Consumption decisions are influenced by travel distance, time, and route convenience; consumers prioritize restaurants that are nearby or along their routes.	4	"Close by" "On my way" "Just across the street"
Habit-driven	Consumption decisions are influenced by habits; consumers prioritize restaurants that they visit for a long time.	3	"Get used to it" "Always dine at here'
Social-driven	Consumption decisions are influenced by social interaction; consumers prioritize restaurants that are comfortable to communicate with others.	5	"Can go with my colleague" "Can go with my friends" "Dine with children"
Emotion-driven	Consumption decisions are influenced by interpersonal relationship with businesses' owners; consumers prioritize restaurants whose owners they know personally.	2	"Know the owner" "Can buy on credit"

4. Results

This study summarizes five major consumption driving codes from 8 complete interviews: price, convenience, living habit, social interaction, and emotional attachment. The definitions, the number of mentions, and the summary of the original expressions corresponding to each code are shown in the table above. Based on further interpretation of the number of mentions and key words/phrases, the core factors influencing the consumption decisions of low-income groups in urban villages can be classified and organized. This section ranks these factors in accordance with their mention frequency and explores the underlying mechanisms of residents' consumption choices by analyzing original interview narratives.

4.1. Social-driven factor

By comparing the number of mentions of each code horizontally, it can be observed that the social factor is the most prominent in the consumption decision-making process in this context. Among the 8 respondents, 5 mentioned that social needs had an impact on the choice of dining locations, and prioritized them over factors such as price, habits, and emotions. The key words "with colleagues

and friends" and "bring children for meals" reflect the common social needs. This finding demonstrates that urban village residents' dining behaviors aim not only to meet basic physiological dietary needs, but also to fulfill social interaction and emotional bonding functions. Some low-priced restaurants can only meet the basic dining needs but lack seats for conversation. On the contrary, restaurants with more tables, chairs, and spacious areas—even if they are slightly more expensive and farther away—are still the first choice for residents with social needs, which explains to some extent why low-priced eateries have lower consumption frequency.

4.2. Convenience-driven factor

Second, for the code of convenience, four respondents focused on travel distance, time cost, and route convenience as important standards for their consumption behaviors. The key words "close by", "just across the street", and "on my way" appeared frequently. However, it should be noted that the groups that mentioned this factor were mostly shop owners, such as supermarket owners. Therefore, the need to manage the store limits their time to leave the store for meals further away. Since the number of people mentioning convenience is less than that of social factors, convenience is regarded as a secondary driven factor.

4.3. Habit-driven factor

Among the 3 respondents who mentioned "getting used to it" and "always going to this one", these expressions reveal the habit formation theory and status quo bias in behavioral economics [10]. Long-term fixed dining locations encourage consumers to develop a single consumption path. Even if they know that there are cheaper alternatives nearby, the psychological resistance to change will prevent them from switching, reinforcing the habit and maintaining the status quo. Habit-driven factors play an important role among low-income groups in urban villages, further shaping their consumption decision-making patterns.

4.4. Price-driven and emotional-driven factors

Only two respondents actively mentioned price and emotional factors respectively, making these the least frequently mentioned categories. Price-driven factors are more applicable to groups that eat alone and pay more attention to the price of dishes. Thus, consumers are willing to accept potential drawbacks such as longer distances and limited seating if they place more emphasis on low prices. The emotional-driven factor relies on the interpersonal relationship between consumers and the store owner. Typical interview keywords including "knowing the owner" and "buying on credit" demonstrate that acquaintance familiarity between consumers and shop operators serves as a critical emotional incentive. However, this factor is relevant to only a small number of residents' personalized motivations and does not have universal applicability.

In summary, based on the results and numbers, it can be seen that the consumption behaviors of residents in urban villages are influenced by multiple factors. Social interaction acts as the dominant driving factor, while spatial convenience and consumption habits serve as secondary factors, and price and emotional attachment functions as marginal influencing factors. Hence, price only appears as a single factor in the context of the consumption decisions of low-income groups in urban villages, and its effect is limited. Considering consumer psychology, behavior, and spatial accessibility together can provide a more comprehensive explanation for the low patronage of low-priced small restaurants.

5. Discussion

Based on residents' oral feedback from the interviews, on one hand, the current small-scale catering businesses in the urban villages have common problems and deficiencies. On the other hand, the distribution of high-quality and large-scale restaurants is uneven, which exacerbates the potential consumption problems in the urban villages.

5.1. Issues related to the environment and space of small restaurants

Most small catering outlets have limited space and crowded seating, resulting in a poor dining experience. Furthermore, such stores are equipped with limited seating facilities and lack round tables that support group socialization, as they are primarily designed for individual fast dining. Moreover, many small eateries have no seats and only offer takeout services, failing to meet the needs of residents who want to seat and dine with others. Some businesses lack temperature control and ventilation equipment, leading to poor thermal comfort for customers. Meanwhile, unsanitary environmental conditions frequently cause pest infestation, further deteriorating residents' dining experience.

5.2. The uneven distribution of catering businesses

Through field surveys and in-depth interviews, it was found that a large number of small catering outlets are distributed along the main streets, with relatively small scales and poor interior environments. The large-scale and cleaner restaurants with high service quality are mainly located in peripheral areas, which are farther and require longer travel time. Overall, the uneven distribution of restaurants with significant quality disparity leads to a dilemma for residents when making consumption choices: small eateries that are closer in distance cannot meet the requirements for comfort and social interaction; while a high-quality dining experience requires additional travel time.

6. Conclusion

Through in-depth interviews and coding classification, this study identifies five key drivers of dining consumption behaviors among residents in urban villages. Social interaction ranks as the dominant determinant, with spatial convenience and consumption habits serving as secondary influencing factors. Price and emotional factors are mentioned least frequently and have the least influence. The research also clarifies urban planning challenges faced by urban village residents: neighborhood restaurants are poorly maintained, with low-quality products and cramped layouts, while large-scale high-quality restaurants are relatively far away. These findings explain why price is not the dominant factor in low-income groups' consumption decisions.

This study has several limitations: The interview involved only 8 respondents from urban villages, resulting in limited sample coverage and constraining the generalizability of the conclusions. Furthermore, the in-depth interviews were carried out exclusively in Majuqiao Town, so the findings have limited universality. Therefore, future research can be improved by increasing the sample size, expanding the number of urban villages surveyed to provide more comprehensive data support.

Future studies could focus on the consumption behaviors of small and often overlooked groups. Additionally, different population groups could be analyzed separately based on unique

characteristics such as work and lifestyle patterns, and tailored plans could be developed to meet the distinct needs and consumption behaviors of each group.

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