

Overconsumption among Young People in Big Cities—A Research Based on Behavioral Economics

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Abstract: In big cities, the younger generation enters society after experiencing ivory-tower-like training, with ambitions and a desire to create grand careers. However, one of the big challenges they face is financial management. How to obtain the greatest returns with the least financial resources has become an issue that every young person is weighing. The dazzling array of discount activities, live streaming marketing, and trendy specialty stores have attracted the attention of many young people. The desire to obtain a loan, purchase fashionable items, and live a seemingly high-quality life has become a goal pursued by many people. However, driven by sales incentives, young people may fall into the trap of over-consumption, with a backlog of personal and household debt added to their stress. This article focuses on the problem of overconsumption and mainly analyzes three key reasons behind it: the impact of sunk costs on closing mental accounts, payment isolation, and reference dependence. At the same time, practical solutions are proposed for these three causes. Although these suggestions cannot directly eradicate the phenomenon of overconsumption, I hope that readers, by reading this article, will have a basic understanding of the root causes of overconsumption and stay alert during future shopping processes.

1. Introduction

The bustling traffic and prosperity in big cities conceal the reality of rising prices and inflation. The young generation living in these big cities is obscured by the relaxed and pleasant scenes and prosperity. In addition, they have been cultivated in a favorable environment since childhood, and they lack correct consumption concepts. When faced with the temptations of the online world and the deceptions of real life, young people's psychological naivety and impulsivity lead them to start overconsumption, which is regarded as improper psychological behavior. Combined with social pressure and sales routines, young people often fall into uncontrollable consumption behavior, leading only to belated awakenings and regret.

Consumption is one of the three main drivers of economic growth, playing a crucial role in the expansion of GDP. The purchasing power of the younger generation serves as a significant catalyst for economic development and cannot be overlooked [5]. According to the release on February 22, 2022, by the China Youth Daily client, as of October 2018, the scale of China's consumer sales

reached 8.45 trillion yuan, of which young people's consumption accounted for as much as 36,700 yuan [9], becoming an important expenditure that cannot be ignored. Whether it's to pursue vanity or satisfy interests, young people's impulsive spending puts financial responsibilities on their families. Spending money to satisfy vanity and a sense of honor may eventually lead to inappropriate behavior, may even lead to family debt, and affect the consumption outlook and mentality of the entire young group.

Therefore, this article conducts an in-depth study of the root causes of excessive consumption among young people in big cities and its impact on families and society. It is of great practical significance to help young people establish reasonable consumption concepts and achieve moderate consumption.

2. Literature Review

Previous literature research shows that the root causes of overconsumption often involve marketing methods and personal consumption intentions. Li Xiaojia (2021) pointed out that because young people have too little involvement in society, they will be marketed unconsciously [3]. For example, during the Double Eleven Shopping Festival in China, the dazzling array of discounts and discount coupons can easily give young people the illusion that they have received huge benefits, leading to excessive consumption behavior. This kind of over-buying not only leads to the accumulation of large amounts of goods but can also put individuals into financial difficulties for months or even longer, which is difficult to recover from. China Youth Daily authors Zhang Duo and Wang Hao pointed out in an article published on February 22, 2022, that young people's advanced consumption concepts lead them to spend extravagantly in one month, but face serious financial difficulties the next month, or even take on large debts [9].

What is particularly noteworthy is that many young people currently do not realize that there are serious problems with their consumption concepts. In April 2019, Zhang, who lived in Zunyi, Guizhou, met a girl, Chen Jian, online. Chen Jian and her friends introduced a method for Zhang to make money. They claimed that first, he needed to pay 2900 yuan to obtain membership qualifications. As long as he continued to recruit people, he could earn more commissions. According to Chen Jian, this "career" could cultivate skills in psychology and interpersonal communication. When Zhang completed his third transaction, the "head" of the operation transferred his online girlfriend, Chen Jian, to another location, and the two never met again. During this process, Zhang convinced many of his friends to join and pay money, but they did not know that the organization they were paying to join was a fraudulent scheme [4]. Debt Burden was also a fundamental reason young generation tends to have budget deficit. Beijing News reporter Lu Jiu pointed out on October 26, 2021, that according to statistics, out of a total of 175 million post-90s generation nationwide, only 13.4% have no debt burden [6]. This reflects the growing number of young people falling into marketing traps and inadvertently taking on debt not easily get out of. A trend-chasing youth Xiao An shared his impulsive behaviors, saying, "Sometimes, the 'seller's showcase' I see in online stores looks so appealing that I impulsively add them to my cart, but when it comes to my own 'buyer's showcase,' it doesn't work out, leading to me discarding a lot of items and wasting money" [2].

Secondly, a lot of literature shows that young people will spend money for a sense of honor. The "2022 Young People's Domestic Products Consumption Trend Report" highlights an important phenomenon, that is, under the combined influence of online and real-life advertising, young people have gradually become convinced that the quality and cost-effectiveness of domestic products are far better than imported products, and thus they appear to be excessive when purchasing expensive domestic products. Purchasing conspicuous domestic products makes them feel that their own value

is highlighted, and at the same time attracts more praise and attention [10]. In the "2021 Youth Consumption Survey Report", many young people have a trend of excessive consumption due to their pursuit of integration with popular fashion circles [1]. For example, popular trends like the blind box craze, Hanfu culture, and sneaker craze, etc., naturally attract the public's attention, thus increasing the rate of return. This desire to show their pride when going out makes young people willing to give up other purchasing options in their passionate consumption and immerse themselves in crazy fashion consumption. In addition, the patriotic sentiment prevalent in the current society also affects the consumption behavior of young people. Many of them actively respond to the patriotic craze and invest a lot of money to buy so-called trendy and famous brands, but they fail to realize that this purchasing behavior is affected by personal mentality and is just buying an iconic label. Driven by social guidance and mentality, young people tend to follow suit.

Some literature also pointed out that the virtual feeling brought by online payment and card swiping is one of the reasons for young people's excessive consumption. According to Zhang Duo and Wang Hao, authors of China Youth Daily, with the continuous economic development, current society has gradually reduced the use of banknotes and replaced them with electronic payment methods such as WeChat Pay [8]. However, the "click" of WeChat payment often makes people relatively dismissive of the actual cost and balance status of consumption, weakening their thinking about cost-effectiveness. Not only that, but the mobile applications of major banks also continue to develop Internet consumer finance, in which forms such as "installment loans" and "installment purchases" are always prominently placed in eye-catching positions on the interface. This small loan model has attracted the attention of a large number of young people. For example, online advertisements such as "flash loan, no mortgage, no guarantee, borrow and repay anytime, up to 300,000 yuan" frequently flashed among them [9]. Currently, the major credit card consumption method makes people unconsciously exceed the amount of money beyond their affordability in shopping with minimal time cost. According to the statistics in 2019 by "China Daily.com", the total overdue and outstanding credit card credit since the end of 2010 was 7.689 billion yuan, rising quarter by quarter, reaching 88.098 billion yuan by the end of the third quarter of 2018 [6]. Although on the surface, the daily living consumption level is relatively high, we are in a stage where the indebted consumer group is further expanding. This group is described as "negative people", and its main members are young people who are employed in large and medium-sized cities.

In fact, from the perspective of sociology, consumption has three levels: the first is the consumption of pure objects; the second is the consumption of the value of the objects; the third is the consumption of the symbolic value of the objects, that is, the consumption of the cultural connotation, personality and taste of the goods, the kind of consumption as a comprehensive manifestation of social needs and cultural symbolism [8]. The reason why young people over-consume is because they overestimate the consumption of item value and symbolic value. The value of items can demonstrate social status and satisfy higher-level consumption in addition to basic materials and is often deliberately inflated by many brands. In the end, it often turns into unnecessary consumption in order to choose a well-known brand and pay for one's vanity. The value of object symbols is one of the representatives that contemporary young people value most. Because today's society is a melting pot of various cultures, to find their own sense of presence in society, many young people will make impulse purchases for the so-called personalization.

However, past research has certain limitations in the definition and scope of research questions, and lacks solid theoretical foundation support, so it has certain research limitations. In view of this, the goal of this study is to use the perspective of behavioural economics to conduct a systematic study and in-depth discussion on the root causes of excessive consumption among young people in big cities. This research is expected to assist to more comprehensively understand and reveal the

potential factors leading to overconsumption.

3. Questionnaire Survey

This questionnaire was originally designed to investigate the general consumption habits of young people, to summarize whether they overconsume, and the main reasons for overconsumption. The questionnaire was designed with a total of 7 questions, of which the first two questions were about simple understanding of the respondents, including their gender and age. The last five questions mainly focus on understanding whether they are regular consumers and their main consumption areas. A total of 107 people filled out the questionnaire, of which 92 had offered valid responses. The following are three tables compiled through questionnaire surveys.

3.1. Statistics of Survey Respondents

Table 1 below shows the statistics of survey respondents.

Table 1: Statistics of survey respondents.

Age	Number of people
15 years and under	4
15 to 18 years old	26
19 to 24 years old	3
25 to 40 years old	29
41 years and above	30
Gender	Number of people
Male	24
Female	68

3.2. Frequently Consumed Areas

Table 2 below shows the respondents' frequently consumed areas.

Table 2: Frequently consumed areas.

Consumption division	Percentage of people (number of people choosing/total number of people)
Books and textbooks	70.65%
Shopping (cosmetics, clothing, etc.)	86.96%
Sports equipment	66.30%
Food	86.96%
Social needs	68.48%
Health Insurance	48.91%

3.3. Main Causes of Overconsumption

Table 3 below shows the respondents' main causes of overconsumption.

Table 3: Main causes of overconsumption.

Cause	Percentage of people (number of people choosing/total number of people)
Impulsive consumption in the live broadcast room	20.65%
Promotion	32.61%
I want to have what others have	5.43%
This is cost-effective, so I'll buy more and save it	33.70%
I have to do this to get along well with the people around me	6.52%
Not keeping accounts and no idea of how much money was spent	25.00%
Online payment makes spending money without real pain	14.13%
The greater the pressure, the more money you spend unconsciously	21.74%
Don't overspend	6.52%

It can be seen from the questionnaire that the most frequently chosen consumption objects are food and clothing. Overall, 42% of people choose to overconsume regularly. The main reason is that they are deceived by superficial marketing methods, thinking that the products they buy are more cost-effective, and they tend to buy more. Every proposed cause of overconsumption was chosen by one or more respondents because these choices are common psychological factors in daily life. With the society's development, the digital currency has gradually replaced banknotes. Many online activities are full of traps, which is also one of the main reasons for people's overconsumption. The sense of unreality brought about by online payment will also make many people develop the bad habit of not keeping accounts and not summarizing, leading to the ending of "have to live on air, suffer from cold and hunger" at the end of the month.

4. Cause Analysis

4.1. Based on Sunk Costs and Mental Accounting

The first reason for excessive consumption is the sunk cost caused by impulsive consumption, which makes it difficult for young people to close their mental accounts on their own. Sunk costs refer to costs that have been invested and cannot be recovered. Since people are not completely rational, those who are prone to making irrational decisions are often more affected by sunk costs. An individual's willingness to close their mental account depends on their perception of the item's sunk cost value. When the sunk costs are higher, it becomes more difficult to close the mental account. Young people are easily affected by the surrounding environment and change their mentality. When they feel happy and their surroundings are peaceful and beautiful, they may be more inclined to make impulse purchases, viewing them as an expression of emotional pleasure. On the other hand, they may engage in revenge spending because they were in a bad mood that day. These psychological factors, under the influence of sunk costs, push young people into a vicious cycle of overconsumption. Young people may think that shopping is an effective way to relieve stress or release pleasure. At that time, the sunk costs are lower, so they are more likely to engage in lavish consumption behavior. However, as time goes by, the pressure or pleasure may gradually diminish, and when looking back at these excessive consumptions driven by emotional impact, they may feel wasteful or poor value for money. At this time, the sunk costs have reached their peak, and people may feel annoyed by overspending. Stress often requires corresponding emotional release

channels. For example, even on a rainy day, young people may be eager to watch an expensive movie to vent their emotions, thinking that the money can be used to soothe their inner uneasiness. However, when the movie is over, coupled with the additional cost of getting wet in the rain and the inconvenience of washing clothes and shoes, after calming down, people may think that movie watching is a waste of money and time, and feel regretful about it. At this point, the sunk cost value reaches its peak. Looking back, those sunk costs were just movie tickets and wet shoes. However, by falling into the sunk cost trap, people may feel worse and spend unnecessary money.

4.2. Payment Isolation Phenomenon

Another reason for young people's overconsumption is the payment isolation brought about by modern consumption patterns. In the initial stage, people had a clear concept of costs, but as time goes by, they gradually become accustomed to spending and enjoy the returns brought by the expenditure, thereby ignoring the initial cost, resulting in the loss of funds without knowing it. For example, a monthly magazine subscription may be read carefully in the first few months but later may be ignored or even unpacked. Another example is buying a gym membership card that allows you to come and go at will within a year. People think they are buying a card with high freedom and cost-effectiveness, but in fact they rarely visit the gym within a year. In traditional economics, rational individuals will do "cash on delivery", but in real life, it is more about installment payment, recurring use of credit cards, etc. For example, a one-time payment of 120,000 yuan with monthly repayments of 10,000 yuan may sound less stressful, but the final amount to be paid may exceed 120,000 yuan, including monthly interest. This installment mentality is widespread among young people. As of the end of the third quarter of 2018, the total amount of overdue credit card loans, unpaid for six months or more, has amounted to 88.098 billion yuan, accounting for 1.34% of the total amount of outstanding credit loans [7]. Due to young people's limited social experience and lack of financial knowledge, when they pursue financial independence, they often face situations where they cannot pay it all in one go. Therefore, when the option of installment payment appears, many young people will choose this method to reduce financial pressure. However, this has led to the emergence of payment segregation. The asymmetry between costs and returns during the payment process makes people mistakenly believe that they are getting benefits, but in fact, the costs still exist instead of decreasing over time. People's mentality may change after the purchase. They may initially strictly control living expenses to repay the loan, but then they may forget this prepared expenditure and satisfy personal desires in other ways. However, no matter how the mentality changes, the cost has not been reduced and young people still need to continue to pay. Eventually, they may realize they can't repay it, resulting in having to borrow more money and losing more money without even realizing it.

4.3. Reference Dependence Phenomenon

"Reference dependence" is also a major factor leading to excessive consumption among young people. The driving force of people's behavior mainly comes from two aspects: one is intrinsic motivation and the other is external environment. Changes in each person's life environment will profoundly affect their subsequent decisions. Intrinsic motivation can give individuals the courage to overcome difficulties, while external pressure and the fear of catching up with others may cause more people to dare not stop working hard. When comparing yourself to others escalates, happiness often decreases significantly, and then situations may arise where costs are incurred to make oneself happier or to maintain the same social class status as others. The reason behind this psychological expense is reference dependence. After young people enter society, they hope to transcend differentiated social classes and work hard to improve their status and bring more returns to

themselves and their families. Therefore, at this stage, comparison with people at the same level and those at a slightly higher level becomes an important indicator of progress. However, this kind of evaluation standard often brings huge pressure, making young people easily believe that they still have shortcomings and need to improve, thus spending more money to make up for these shortcomings. For example, you might spend money on more clothes or gym passes when you could be enjoying a nice meal to look more polished. The phenomenon of reference dependence not only plays a role in comparisons between individuals but also has a profound impact on marketing in the commercial market. It is also one of the important reasons that lead people to over-consume without knowing it. Reference dependence is common across markets, one of the examples being the principle behind the "medium cup effect". In shopping malls, when stimulated by price, people tend to compare the prices and values of large, medium and small cups, so they choose the medium cup. However, the capacity of the medium cup is often too large, making it difficult for people to finish drinking, resulting in actual waste, which is exactly the same as the capacity of the small cup. Why not just choose to buy small cups in the first place? Because the medium cup is only 3 to 5 yuan more expensive than the small cup, but it seems to have much more capacity. Many people think that buying a medium cup is more cost-effective but ignore their appetite. In the market, in order to encourage consumers to choose the services they want to sell, salespeople often add additional conditions to various options to make this set of services stand out and guide consumers to choose the option with additional conditions after comparing various options. This is also a manifestation of the impact of reference dependence on consumers in shopping malls.

5. Conclusions

The article analyzes three reasons why young people overconsume and offers different suggestions for each reason. First of all, regarding the impact of sunk costs on mental accounting, it is recommended that young people should bravely face the mistakes they have made, not make excuses, and actively solve problems. Although sunk costs already exist and cannot be changed, you should no longer pay for unnecessary consumption, maintain a good attitude, and not be affected by the difficulty of closing the mental account, so that you can make the best choice for yourself.

Secondly, in response to the problem of payment isolation, it is recommended that young people try to change their habits in life and turn monthly payment habits into one-time payments. While this will allow people to see their money go down with each purchase, it will also make them more aware of the cost of each action, allowing them to better plan their spending and avoid overspending and not being able to pay their bills.

Finally, regarding reference dependence, although this psychological phenomenon cannot be completely avoided, it can be minimized to be misled by it. It is recommended that young consumers have a clear understanding of their own needs, only buy products that meet their needs, and avoid being affected by unnecessary promotions. In purchasing decisions, you must clarify your scope of needs and choose products that meet your needs, thereby reducing the reference dependence effect.

In summary, these three causes of overconsumption are prevalent in society. To avoid overconsumption, young people should be aware of these issues and think carefully before each purchase to make decisions that are best for themselves. While this is not an overnight process, by recognizing the problem and taking appropriate action, you can minimize the impact of these consumer traps.

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