



Shrinkflation And Cebu’S Street Food Vendors: Navigating Economic Pressures In The Informal Economy

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ABSTRACT

This study examines how shrinkflation affects street food vendors in Cebu City, particularly emphasizing how it affects their capacity to make ends meet and how they operate in the unofficial market. Street food vendors are essential to urban food security because they give nearby communities various reasonably priced meal options. However, shrinkflation has developed as an important problem in which companies reduce their product amounts yet maintain consistent prices because of modified economic situations alongside increasing operational costs. The research approaches the study by combining quantitative questionnaires with qualitative focus groups to explore the survival strategies of street vendors operating in unregulated and intensely competitive food markets. The obtained results will provide an understanding of vendors' economic adaptation methods while presenting insights into customer satisfaction and the sustained viability of the business. This research advances the understanding of economic resilience across the informal economy to create sound policies that assist street food vendors.

RESUMO

Este estudo examina como a inflação de preços afeta os vendedores ambulantes de comida na cidade de Cebu, enfatizando particularmente como isso afeta sua capacidade de sobreviver e como eles operam no mercado informal. Os vendedores ambulantes de comida são essenciais para a segurança alimentar urbana, pois oferecem às comunidades vizinhas diversas opções de refeições com preços razoáveis. No entanto, a inflação de preços se desenvolveu como um problema importante, no qual as empresas reduzem as quantidades de seus produtos, mas mantêm preços consistentes devido a mudanças na situação econômica, juntamente com o aumento dos custos operacionais. A pesquisa aborda o estudo combinando questionários quantitativos com grupos focais qualitativos para explorar as estratégias de sobrevivência de vendedores ambulantes que operam em mercados de alimentos não regulamentados e intensamente competitivos. Os resultados obtidos fornecerão uma compreensão dos métodos de adaptação econômica dos vendedores, ao mesmo tempo em que apresentarão insights sobre a satisfação do cliente e a viabilidade sustentável do negócio. Esta pesquisa avança a compreensão da resiliência econômica na economia informal para criar políticas sólidas que auxiliem os vendedores ambulantes de comida.

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Introduction

The informal economy represents a significant economic aspect in developing nations and functions as an essential job and income generator for the Philippines population, who number in the millions. The segment of street food vendors specifically represents this sector and furnishes affordable food selection that addresses the various needs of diverse neighborhood residents. The food sector is essential for urban affairs because it supports economic growth and social integration, especially in low-income urban districts (Choudhury et al., 2020).

Street food vendors operate with easy entry requirements while offering flexible services and operational flexibility, enabling people to enter the market with minimal start-up funds and earn money quickly. Street food vending enables numerous individuals to obtain vital assets that sustain their lives and family welfare when formal employment only extends to limited areas in cities. Almost half of the businesses operating from the streets encounter unstable conditions caused mainly by economic events and cost increase patterns. Decision-makers among street vendors must deal with shrinkflation when manufacturers reduce product size and no price change. Modern businesses use this practice to manage rising production expenses while preventing consumer disenchantment (Dholakia et al., 2022).

The research explores shrinkflation effects on street vendors in Cebu City by studying its impact on product purchasing power alongside profitability and marketplace operations. Both inflationary pressures and rising ingredient prices force vendors to make changes like portion reductions and menu modifications to preserve their profit margins. The failure to satisfy customers because of decreasing sales results in an unstable state between business survival and customer demands. Economic calculations from shrinkflation create broader effects that affect societal matters.

Susanmanta residents mainly depend on street food for their nutritional needs, and this category of individuals faces economic constraints. The decline in portion sizes creates challenges regarding food option accessibility and affordability, which may worsen food insecurity among at-risk groups (Ryu et al., 2021). The analysis examines how vendors maintain their business operations while competing in an unregulated food market while battling increasing expenses that result in decreased product sizes.

The different approaches used by vendors to cope with operational challenges include menu creation and expense management, but not all vendors have successfully adapted. Understanding shrinkflation behavior in street vending markets requires analysis from policymakers, economists, and community leaders. The study examines vendor perspectives of shrinkflation by analyzing their business operation adjustments and their effects on consumer experiences.

A combination of surveys and focus group discussions will enable the research to deliver findings about street food vendor coping approaches and their knowledge of

shrinkflation and its influence on customer satisfaction and business results. This research strives to add essential knowledge about informal workers' ability to adjust while investigating their economic resilience against financial challenges so that adequate measures can be developed to protect their sustainability better.

Methodological Procedure

The research methodology combines qualitative and quantitative methods to generate complete data about shrinkflation's influence on street food vendors. This study selected 30 street food vendors through convenience sampling from local markets and street food areas. The research collected vendor data through surveys that examined their knowledge of shrinkflation, pricing changes, relationship to sales, customer satisfaction, and vendor adaptations against shrinkflation impact.

Eight street food vendors participated in an interview where researchers gained extensive knowledge about their trials and approaches toward shrinkflation. The researchers used descriptive statistics to examine patterns and shared aspects in vendor survey responses.

The researcher employed thematic analysis of the interview guide transcripts to discover major themes regarding shrinkflation effects and vendor operating experiences. All participants provided their informed consent, and the study included complete confidentiality protection with an option to withdraw at any time. Combining quantitative and qualitative approaches in this research design allows for complete comprehension of shrinkflation's influence on street vendors.

Results and Discussion

The study's main objective is to examine the impact of shrinkflation on street food vendors in Cebu City. Below are the results of the study;

Table 1.

Profile of the Respondents

Age	f	%
18-25	2	6.67
26-35	4	13.33
36-45	9	30
46-55	10	33.33
55+	5	16.67
Years of Selling	f	%
1-2 years	2	6.67
2-3 Years	4	13.33
4- 5 Years	4	13.33
5 Years Above	20	66.67

The survey results reveal key information about the respondents' characteristics that describe street food vendors operating in Cebu City. Most street food vendors fall within the middle age range since 33.33% maintain ages from 46 to 55 years old, and 30% range between 36 to 45 years old. The survey shows that youthful participation in street food vending represents only 6.67% of all vendors because older individuals dominate this business sector.

Most vendors (66.67%) have packaged at least five years of experience in food vending because of their extensive time at work. The data indicates that new traders entering this business appear scarce since only 6.67% of vendors operate for 1-2 years while the rest have continuously engaged. Studies indicate that established vendors face more significant difficulties because shrinkflation affects those with many years of experience, even though experience does not protect them from these adjustments.

Table 2.

Categorization of Items Sold by Local Vendor

Category	Items Sold
<i>Traditional Filipino Snacks</i>	Puto/Budbud, Bibingka, Moroon, Malunggay Bread, Banana Que, Binangkal, Puto Bongbong, Kakanin, Kutchinta, Salvaro, Shakoy, Puto Palitaw
<i>Street Food</i>	Taho, Lumpia, Tempura, Balut, Pungko-pungko, Empanada, Siomai, Fried Chicken, Hot Cake, Ambulant Fried Chicken/Pork Chop
<i>Meal Vendors</i>	Ambulant Lunch Vendor, Barbeque, Lugaw/Painitan, Delicacies Stall
<i>Beverages/Juices</i>	Buko Juice
<i>Fruit Vendors</i>	Santol, Papaya, Guava, Mango
<i>Combination Vendors</i>	Puto/Budbud, Fruit Stall (Santol, Papaya, Guava, Mango)

Local vendors in Cebu City present numerous food choices that fit customer requirements by applying traditional cultural traditions to modern tastes. Traditional Filipino snack vendors demonstrate regional culinary tradition preservation through offerings of Puto (rice cake), Bibingka (baked rice cake), and Banana Que (fried banana on a stick) to customers seeking reasonably priced, well-known options.

In the meantime, street food items like Tempura (fried fish or shrimp batter), Siomai (dumpling), Pungko-pungko (fried food array), and balut (fertilized duck egg) show how vendors can adjust to customer demand for easy-to-eat meals. Meal vendors that provide full meals such as Lugaw (rice porridge), Barbeque (grilled skewered meat), and Ambulant Lunch (mobile lunch options) are essential providers of affordable, substantial meals for working-class customers. Fruit vendors offering Santol (cotton fruit), Papaya, Guava, and Mango give

fresh, reasonably priced food, while beverage vendors selling Buko Juice (coconut water) satisfy the market for natural, health-conscious beverages.

Combination vendors, who combine items such as Puto and Mango, exhibit a flexible strategy by meeting the needs of a broad spectrum of customers. Together, these vendors contribute significantly to the availability of reasonably priced cuisine that retains its cultural and regional value.

Table 3.

Effects of Shrinkflation on Purchasing Power

Indicators	Mean	Interpretation
Shrinkflation has made it more difficult for my customers to afford my products.	3.10	Agree
My customers are purchasing from my stall less frequently due to shrinkflation.	3.07	Agree
Shrinkflation has led to a decrease in customer loyalty.	3.17	Agree
My customers are spending less money per visit because of shrinkflation.	3.03	Agree
Due to shrinkflation, I have received more customer complaints about product size and value.	2.87	Agree
Average Mean	3.05	Significant Purchasing Power Impact

- 4 (3.26- 4.00)-Strongly Agree; 3(2.51- 3.25)-Agree; 2(1.76- 2.50)-Disagree; 1(1.00 -1.75)-Strongly Disagree
- High/Agreement: Ratings ≥ 2.51 and ≤ 4.00 (corresponding to Agreed and Strongly Agreed) – Significant Purchasing Power Impact
- Low/Disagreement: Ratings ≤ 2.50 and ≥ 1.00 (corresponding to Disagreed and Somewhat Agreed) – Minimal Purchasing Power Impact

The table illustrates the substantial effect that shrinkflation has had on consumers' purchasing power, as seen by Cebu City Street food sellers. Key findings indicate that vendors concur that shrinkflation has made it harder for customers to afford their products (mean = 3.10). The vendors' findings that consumers make fewer purchases overall (mean = 3.07) and spend less each time (mean = 3.03) lend more credence to this, pointing to a potential fall in consumer spending power and behavior.

The highest level of agreement (mean = 3.17) is regarding a decrease in customer loyalty, indicating that shrinkflation has damaged trust and long-term customer relationships. Although complaints about product size and value were slightly lower (mean = 2.87), they still reflect customer dissatisfaction. The weighted mean of 3.05 confirms that shrinkflation significantly impacts purchasing power, negatively affecting customer behavior and vendor business sustainability.

In addition to impacting vendor earnings and consumer satisfaction, shrinkflation has wider economic ramifications. Small enterprises face revenue decline when clients minimize their purchases and spending thus leading to vendor impairment. The slowdown of the economy stems from reduced consumer demand as a result of diminished purchasing ability.

When shrinkflation becomes normalized it can intensify inflation since consumers will face increasing expenses through price adjustments without visible cost increases. Shrinkflation would create added difficulties for domestic sellers together with their customer base. The reduced revenue of vendors due to declining client buying habits and spending patterns threatens the operation of small businesses.

Consumer spending decreases because of which demand falls while creating economic slowdowns (Garcia, 2021). The industrial technique known as shrinkflation leads to product dimension reductions without price alterations which intensifies these difficulties. The normalization of shrinkflation poses risks to increase the inflation rate because hidden price increases trick customers about real cost increases thereby driving up costs for both vendors and consumers (Lopez & Santos, 2020). The concealed inflationary pattern damages buying power thereby leading to destructive impacts on local businesses and small enterprises that depend on reliable customer order streams (Rivera, 2022).

Table 4.

Effects of Shrinkflation on Profitability

Indicators	Mean	Interpretation
Implementing cost-saving measures has been necessary to offset the effects of shrinkflation on my profitability.	3.17	Agree
Managing the increased ingredient costs has been challenging due to shrinkflation.	3.30	Strongly Agree
My revenue has become more unpredictable as a result of shrinkflation.	3.47	Strongly Agree
I have had to frequently adjust my prices to maintain profitability in the face of shrinkflation.	3.40	Strongly Agree
Shrinkflation has negatively impacted my overall profit margins.	3.40	Strongly Agree
Average Mean	3.35	Strong Profitability Impact

- 4 (3.26- 4.00)-Strongly Agree; 3(2.51- 3.25)-Agree; 2(1.76- 2.50)-Disagree; 1(1.00 -1.75)-Strongly Disagree
- High/Agreement: Ratings ≥ 2.51 and ≤ 4.00 (corresponding to Agreed and Strongly Agreed) – Strong Profitability Impact
- Low/Disagreement: Ratings ≤ 2.50 and ≥ 1.00 (corresponding to Disagreed and Somewhat Agreed) – Weak Profitability Impact

The table illustrates how shrinkflation significantly affects Cebu City Street food vendors' profits. Vendors strongly agree (mean = 3.30) that it is challenging to manage rising ingredient costs since revenue becomes erratic (mean = 3.47) and frequent price adjustments are necessary to sustain profitability (mean = 3.40). A weighted mean of 3.35 confirms that shrinkflation hurts profit margins (mean = 3.40). These results imply that shrinkflation forces vendors to adopt cost-cutting strategies that can jeopardize the quality of their products. Financial planning is challenging due to unpredictable revenue, and frequent pricing changes run the risk of offending clients.

The local economy may suffer if many vendors experience comparable difficulties, which could diminish customer choice and undermine market stability. Businesses employ shrinkflation, which involves decreasing product dimensions while keeping prices consistent to control rising expense requirements from inflation and supply chain issues (Bolton & Alba, 2019; Dorfman, 2020).

Product dimension reductions through shrinkflation help companies meet costs, but consumers detect these changes, which leads them to modify their buying habits (Dobson & Gerstner, 2022; Smith & Mitra, 2020). Research indicates that consumer frustration, diminished brand affinity, and unevenness in revenue emerge due to shrinkflation, so business organizations must design new pricing techniques and marketing frameworks (Chandon & Wansink, 2018; Kapoor & Ghosh, 2021).

Regular price changes and product modifications create conditions that increase market competition, leading to supply-demand instabilities (Nakamura & Steinsson, 2021; Ahmed & Rahman, 2022). Shrinkflation provides short-term financial benefits but creates long-lasting challenges affecting customer reliability and enterprise stability (Grewal, Roggeveen, & Nordfält, 2019). Research must investigate different cost management methods aligning profitability goals with customer retention efforts.

Table 5.

Strategies for Managing Shrinkflation

Category	General Presentation of Strategies
<i>Product Size and Ingredient Reduction</i>	Vendors should reduce the size of their products and ingredient amounts, substitute cheaper materials, and change recipes to save money.
<i>Supplier and Cost Management</i>	Manage costs through strategic sourcing: Find cheaper suppliers, adjust ingredient quantities, explore new selling locations, and seek better deals to control expenses.
<i>Operational Adjustments</i>	The business should adjust prices while avoiding credit, use bulk cooking, the plan amounts to reduce waste and make operational adjustments to minimize resources and control expenses.

Product Size and Ingredient Reduction

To combat shrinkflation, vendors implement two strategies: smaller item portions and cost-effective ingredients that help maintain affordable pricing. Smaller product portions allow vending businesses to deliver affordable offerings with minimal impact on taste or product quality.

Respondent 1 mentioned, “I chose smaller serving sizes to maintain affordable prices. This practice enables our business operations to continue.”

The second respondent adjusted their costs by decreasing their expenses on expensive materials.

“Presently, we give our customers smaller portions to maintain reduced costs.”

Lastly, respondent 3 stated,

“Those affordable replacement ingredients should be chosen from local cheese instead of imported products. Customers usually do not notice.”

Cost-management efforts through product downsizing and ingredient substitutions present risks for vendor profitability because insufficient quality and portion amounts may annoy customers. Businesses struggling with shrinkflation problems usually decrease supply volumes while switching to cost-reduction ingredients to stabilize prices (Bolton & Alba, 2019). This approach helps vendors stay competitive, but customer dissatisfaction becomes more likely because consumers experience a decline in value perception (Grewal, Roggeveen, & Nordfält, 2019). Companies adjust their offerings to local ingredients to save money without reducing customer-perceived quality (Kapoor & Ghosh, 2021).

Supplier and Cost Management

Cost management is crucial for vendors who need to deal with shrinkflation. Through negotiations, businesses attempt to find less expensive providers to secure more affordable ingredient prices. Vendors should base their ingredient amounts on the market needs to minimize waste and obtain fresher ingredients from nearby suppliers for higher customer satisfaction.

The sixth respondent decreased supplier expenses by identifying more economical suppliers and securing improved agreements, resulting in financial savings for our business operations.

The organization chooses local suppliers because this optimizes cost savings. This method also allows the use of fresh ingredients. Respondent 7

Lastly, for respondent 3, I changed the proportions of ingredients purchased at our establishment to minimize waste. This technique keeps our spending under control.

Implementing cost-effective suppliers for strategic sourcing meets both price reduction requirements and freshness criteria, although businesses must diligently manage such strategies to uphold product consistency and quality. The mitigation of rising expenses can be achieved through supplier negotiations and local procurement, according to Dobson & Gerstner (2022). Vendors implement new purchasing strategies and waste reduction plans to find less expensive resources for their ingredients to support their financial stability (Smith & Mitra, 2020). Careful oversight of cheaper suppliers becomes necessary because it helps check consistency and quality (Chandon & Wansink, 2018).

Operational Adjustments

Vendors are improving operational efficiency by cooking in bulk, which saves time and fuel. Streamlining the menu to focus on best-sellers reduces waste, and careful inventory planning prevents over-ordering, helping maintain quality while managing expenses in the face of shrinkflation.

Respondent 8: “We cook in bulk now to save fuel and time. I also stopped giving credit to avoid losses.”

Respondent 4: “I focused on our best-selling items to reduce waste. This helps us save money.”

Respondent 5: “We plan our inventory carefully to avoid over-ordering. Allowing us to keep costs down and ensure quality.”

Cooking in larger batches combined with effective inventory management helps decrease operational waste costs, which ultimately enhances business profitability. Implementing this strategy requires proper planning because insufficient inventory or deteriorating food quality can occur without it. Managing vendor costs involves operational adjustments that combine bulk cooking with menu simplification (Dorfman, 2020). Concentrating business operations on popular products allows for reduced waste and operational improvements (Nakamura & Steinsson, 2021). The planning process allows businesses to prevent financial losses by reducing excess stock while ensuring product preservation (Ahmed & Rahman 2022). Implementing such cost-saving measures requires thorough planning because they may negatively impact customer satisfaction (Bolton & Alba, 2019).

Conclusion

The research shows how Cebu City Street food vendors endure significant consequences from shrinkflation while confronting their position in the informal market. Shrinkflation leads vendors to face three significant challenges: lower profitability, reduced purchasing power, and operational difficulties. Most street food vendors operating for a long-time experience difficulty with rising ingredient expenses, inconsistent revenue flow, and upset customers due to portion reductions.

The current economy compelled vendors to cut down product sizes, hunt for cost-effective ingredients, negotiate supplier terms, and implement operational improvements for cost reduction. These survival methods secure business operations but threaten customer

satisfaction and product credibility. The resilience of street food vendors in informal markets currently faces unsupportable challenges, which may lead to their uncertain future survival during an ongoing period of inflation. The research clarifies that vendors in the informal economy must receive better-focused help and intervention strategies. The economic success of vendors who operate in the local economy needs remedy against shrinkflation's destructive impact, which increases business expenses while limiting consumer buying capacity.

Recommendation

These recommendations arise from the study results:

The company should offer reduced portion sizes at lower rates or regular customer discounts to maintain affordability while supporting customer loyalty.

Purchasing ingredients from nearby markets together with farmers reduces production costs and enables better-quality seasonal produce that helps customers feel more content.

Satisfied clients should share information about their positive encounters on their social networks, as this approach generates new business through word of mouth.

Focus the menu around the most requested items to cut waste and simplify preparation operations, boosting efficiency and profitability.

A study should examine the effect of community support initiatives on street vendor success and longevity within Cebu City by analyzing how public institutions and charitable organizations help enhance the operational practices of informal economic workers.

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