
RED LIPS & ROSY CHEEKS

Finding your brand's 'Taylor Swift Effect'

Tightening the Belt - Edition 2

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As the cost of living continues to rise, and housing and rental affordability plummet we've observed a growing bifurcation in consumer behaviour, with Australians continuing to splurge on some items while saving on others. Based on the findings from the second edition of our Tightening the Belt research, we've called this the Taylor Swift Effect - a variation on Leonard Lauder's 'Lipstick Effect' from the 1990s. The research was designed to explore how inflation is impacting the lives and spending habits of Australians and incorporated both large-scale quantitative research with a nationally representative sample of Australians and in-depth ethnographic research.

“Nothing lasts forever, but this is gonna take me down”- Taylor Swift

Since 2022 the proportion of Australians claiming to be optimistic about the future has dropped to 38%, down 5 points. The difference now is in our financial reserves.

2022 was characterised by overall feelings of **anticipatory concern** as we waited with bated breath for the monthly CPI and interest rate announcements. This concern was alleviated to an extent by the assurance we had safety net savings from COVID.

Fast-forward to 2023, and with Covid savings largely spent consumers are moving to a greater sense of **real concern**, with 61% of us claiming to have a real fear of running out of money. There is also a growing divide between the haves and have-nots, with older mortgage free homeowners more freely able to spend while others are forced to make hard decisions and trade-offs.

“You belong with me” - finding your brand’s Taylor Swift Effect

To navigate these waters, it’s helpful for brands to have a view on what consumers are choosing to do in their specific category. Our research shows that in some categories consumers are still spending up, but less often – such as in restaurants, travel. In others consumers are looking for more cost-effective options – whether by trading down or chasing specials. In grocery we see private label sales continue to grow, but at the same time some premium grocery items continue to dominate as consumers switch stores and wait for promotions to buy.

“When you go through tough times, there are still things that people don’t want to miss out on because it brings joy to your life.”

SHANE OLIVER
AMP CAPITAL CHIEF ECONOMIST

“Red lips and rosy cheeks” - Taylor Swift

Our research indicates that people will still spend on experiences and brands that deliver emotional benefits in tough times – the ‘red lipstick effect’. Or to put it another way, the belt is being tightened but loosened for the right things. Brand strategy in this environment will depend on where your brand sits and how you communicate with your customers and is not always about cost-cutting. We heard from Wunderman Thompson earlier in the year about the ***Joyconomy***.

The Joyconomy remains strong – what are the ways you can deliver ‘joy’ – big or small – in your category? How can your brand deliver a motivating antidote to the prevailing ‘doom and gloom’ of the cost of living narrative? How can your brand Shake it Up?

Ready for it? Reach out to T garage for more findings on consumer behaviour and what it means for you.

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