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The Lipstick Effect –

Small Luxuries, Big Economics — What Consumers Really Do When Confidence Falls

BUSINESS ENGLISH
Learn. Communicate. Succeed.

Lesson type: Professional Business English · One-to-OneCoaching
Level: C1–C2 · **Duration:** 90 minutes
Discipline: Consumer Economics · Marketing · Pricing Strategy
Skills: Listening · Reading · Speaking · Business Writing · Strategic Decision-Making

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CENTRAL BUSINESS QUESTION

When consumer confidence falls, spending doesn't disappear — it moves. Where does it go, and how should your business respond?

1 business discussion

Warm up with your coach. Give extended answers — support every opinion with an example or evidence. (10–15 min)

1. PERSONAL OBSERVATION

The Small Treat: Think about the last time you bought something small purely to lift your mood — a coffee, a dessert, a book, a gadget accessory. What was happening in your life or work at the time, and what did that purchase actually give you?

2. CONSUMER BEHAVIOUR

Reading the Room: When money gets tight — in a household or in a company — which expenses do people cut first, and which do they quietly protect? What patterns have you noticed among your friends, colleagues, or customers?

3. BUSINESS ANALYSIS

Winners and Losers: Some businesses suffer badly in an economic downturn while others barely feel it — and a few actually grow. What characteristics make a product or company resilient when consumer confidence falls? Give at least two real examples.

4. STRATEGIC THINKING

The Pricing Dilemma: Imagine you run a premium brand and your customers' purchasing power is shrinking. Lowering prices could protect sales but damage your image. What factors would you weigh before touching your price point?

5. EXECUTIVE DECISION-MAKING

The CEO's Bet: A downturn is forecast for next year. As CEO, would you rather cut costs and defend your current position, or invest in something new while competitors retreat? Defend your choice with evidence.

◆ **Executive language upgrade.** Instead of *"I think..."*, practise opening with: *"From a strategic perspective..."* · *"The evidence suggests..."* · *"One potential drawback is..."* · *"On balance, I'd argue that..."* — you will need these phrases throughout today's session.

TODAY'S LEARNING JOURNEY

Curiosity → Understanding (video) → Vocabulary → Analysis (reading) → Professional writing (memo) → Executive decision (case study) → Reflection (homework). Each stage is slightly harder than the last — exactly like an executive workshop.

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SCAN ME

2 video comprehension

Watch: "The lipstick effect"—ABC 10 News (San Diego)

· youtube.com/watch?v=yWrGd5uENvk · (15–20 min)

Part A — True or False?

Mark each statement T or F.If a statement is false, correct it aloud using the exact information from the video.

Statement	T / F
1. According to the video, the lipstick effect describes consumers making large purchases to feel more secure during economic uncertainty.	___
2. San Diego's inflation rate was the highest in the nation last month.	___
3. During her divorce, June Gibson allowed herself either a tube of lipstick every three months or a bar of goat milk soap — and that was all she could afford.	___
4. The Conference Board's annual survey shows that consumer confidence in the economy has risen over the last four years.	___
5. Dr. Karmarkar warns that the problem begins when impulse buying takes over and all the little purchases add up.	___

Part B — Comprehension

Answer in full sentences. Discuss each answer with your coach before moving on.

1. In your own words, explain what the lipstick effect is and why it tends to appear during periods of economic uncertainty.
2. What specific evidence does the report offer to suggest the lipstick effect "could be happening right now"? Name at least two data points.
3. According to Dr. Karmarkar, why does restraining yourself "in a bunch of different domains" make you more likely to buy yourself a little treat?
4. The expert says small purchases are "helpful to boost consumer morale," but that "moderation is key." What tension between benefit and risk is she describing?
5. What alternatives to shopping does Dr. Karmarkar recommend at the end of the report — and how realistic do you find her advice for a typical stressed professional?

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Part C — Critical Business Analysis

Now think like an executive, not a viewer. Challenge the report itself.

1. **Evaluate the evidence.** The report builds its case on one consumer's story, one academic expert, and one confidence survey. As an executive evaluating market intelligence, how convincing is this evidence base? What additional data would you demand before acting on it?

2. **Identify the assumption.** The video assumes rising cosmetics sales are driven by consumers substituting small treats for large purchases. What alternative explanations could produce exactly the same sales data?

3. **Reframe the perspective.** The report frames the lipstick effect as a personal-finance risk — "it might not be the most effective way to save." Reframe it from a business perspective: for which companies is this consumer behaviour a threat,and for whichis itan opportunity?

Part D — Key Takeaways

Distil the video into its most important insights. Write one or two sentences for each, then present them aloud.

1. Summarise, in one sentence, the consumer insight at the heart of this report.

2. What is the single most important warning the expert gives to consumers?

3. What is the most commercially useful insight in this video for a business leader — and why?

3 pre-reading vocabulary

All 15 terms appear in the article you are about to read. Master them first. (15–20 min)

Part A — Match the term to its definition

Write the correct letter next to each term. The definitions are in random order.

Executive term	Match	Definitions (randomised)
1. discretionary spending	___	**A.** the commercial value that flows from how consumers perceive a brand name
2. consumer sentiment	___	**B.** to spend money freely on something enjoyable, often on impulse
3. downturn	___	**C.** moving in the opposite direction to the overall economic cycle
4. resilient	___	**D.** a deliberate, disciplined reduction in spending
5. counter-cyclical	___	**E.** money spent on non-essential goods and services once necessities are covered
6. trade down	___	**F.** the amount of goods and services a person's income can actually buy
7. price point	___	**G.** appealing to people's desire for a higher status or lifestyle
8. profit margin	___	**H.** a period of reduced activity in an economy or industry
9. brand equity	___	**I.** to give something up; to do without it
10. forgo	___	**J.** the overall level of optimism consumers feel about the economy and their own finances
11. splurge	___	**K.** a small pleasure that one allows oneself, even though it is not necessary
12. belt-tightening	___	**L.** able to withstand, or recover quickly from, difficult conditions
13. aspirational	___	**M.** the position of a product's price on the scale of possible prices in its market
14. purchasing power	___	**N.** to switch to cheaper products or brands than one usually buys
15. indulgence	___	**O.** the percentage of revenue that remains after costs have been deducted

Part B — Vocabulary in Context

Complete each sentence with the correct term from the word bank. Use each word once.

WORD BANK

tradedown · counter-cyclical · discretionary · brand equity · price point

1. When household budgets shrink, consumers typically ________ from premium labels to cheaper, private-label alternatives.
2. Analysts describe small affordable treats as ________ products, because their sales often rise precisely when the wider economy weakens.
3. Restaurants, travel and entertainment are classic examples of ________ spending — the first categories households cut when confidence falls.
4. Slashing prices in a panic can rescue this quarter's sales while quietly destroying the ________ a company has spent decades building.
5. A €6 chocolate bar and a €45 gift box may come from the same house, but they compete at a completely different ________

Part C — Business Application

Answer aloud, actively using the **bold** vocabulary in your response. Aim for 45–60 seconds per answer.

1. Using **discretionary spending** and **belt-tightening**, describe how your customers — or your employer's customers — behave when the economy weakens.
2. Is your industry **resilient** in a **downturn**, or vulnerable? Support your answer with evidence from the last recession you remember.
3. Describe a **splurge** or small **indulgence** you have noticed becoming popular among your colleagues or in your city recently. Why do you think people are drawn to it right now?
4. Which brands in your market have genuine **aspirational** pull — and what protects their **brand equity** when times get hard?
5. If your customers' **purchasing power** fell by 15% next year, would they **trade down**, delay, or **forgo** your product entirely? Justify your prediction.

4

reading article

Read actively: underline arguments you agree with, and mark claims you would challenge in a meeting. (20–25 min)

The Lipstick Index: What a Ten-Dollar Tube Reveals About the Consumer Mind

In the autumn of 2001, with the United States sliding into recession after the dot-com collapse and the September 11 attacks, Leonard Lauder noticed something odd in his company's numbers. Consumers were cancelling holidays, postponing cars, and abandoning designer handbags — yet sales of lipstick at Estée Lauder, the cosmetics empire his mother had co-founded, were moving in the opposite direction. Lauder gave the anomaly a name that stuck: the **lipstick index**. His theory was disarmingly simple. When people can no longer justify large luxuries, they do not stop treating themselves; they miniaturise the treat. A woman who would not dream of buying a $2,000 handbag in a downturn, he reasoned, could still buy a $25 lipstick — a small purchase carrying an outsized emotional payload.

An Old Pattern with a New Name

The behaviour was far older than the label. During the Great Depression, while spending on cars, housing and appliances collapsed, cosmetics were — by many industry accounts — among the few discretionary categories to hold their ground, and in some years to grow. Cinema attendance told a similar story: at the depth of America's worst economic crisis, millions still found coins for a movie ticket. Economists eventually gave this family of behaviours a technical name: **counter-cyclical** demand — demand that strengthens precisely when the broader economy weakens. Most discretionary spending is pro-cyclical: it rises in booms and falls in busts. The fascinating exceptions are the small indulgences that seem to feed on hard times.

Why We Splurge When We Should Save

Psychologists offer three overlapping explanations for why consumers splurge on small pleasures at exactly the moment logic says they should save. The first is *licensing*: when people practise disciplined belt-tightening across many areas of life — cancelling subscriptions, skipping restaurants, delaying purchases — they feel they have earned a small reward. The sacrifice itself becomes the justification. The second is *control*. A recession makes people feel powerless; a small ritual purchase, entirely within one's budget and entirely one's own choice, restores a fragment of agency and normalcy. The third is *affordable aspiration*. A premium brand offered at an accessible price point allows consumers to stay connected to an identity — elegant, successful, indulgent — that they cannot currently afford in its full form. The lipstick is not really a cosmetic; it is a membership card.

Economists tell a complementary story with less romance in it. When purchasing power shrinks, discretionary spending is not eliminated — it is reallocated. Households substitute across categories: the €120 dinner becomes a €12 dessert; the foreign holiday becomes a weekend pastry ritual; the designer bag becomes the lipstick. Total spending falls, but the *number* of small feel-good transactions can actually rise. Viewed this way, the lipstick effect is simply the visible tip of a large substitution wave rolling through the economy.

The Case For — and the Case Against

Recent years have been kind to the theory. Through the post-pandemic inflation squeeze, the beauty industry proved strikingly resilient while big-ticket retail slowed. Budget-friendly cosmetics brands posted remarkable growth streaks, prestige fragrance sold so well that analysts began speaking of a "fragrance index," and social media christened the whole phenomenon "little treat culture" — millions of consumers cheerfully documenting the small daily indulgence that keeps austerity bearable. Consumer sentiment surveys sagged; sales of small comforts did not.

The article continues on the next page →

And yet the sceptics have ammunition of their own. During the 2008 financial crisis — precisely the moment the lipstick index should have shone — lipstick sales in the United States actually declined, while nail polish sales climbed sharply, prompting some commentators to propose a "nail polish index" instead. Critics draw three lessons from this. First, the effect is unstable: the chosen treat migrates from lipstick to polish to fragrance to artisanal coffee, which makes any single product a poor economic indicator. Second, much of the supporting evidence is anecdotal — a chairman's observation here, a strong quarter there — rather than systematic. Third, correlation is not causation: rising cosmetics revenue during inflation may simply reflect higher prices, clever marketing cycles, or a viral social-media trend that has nothing to do with consumer psychology. The honest verdict is nuanced. The specific product is unreliable; the underlying behaviour — redirecting discretionary money toward small comforts when confidence falls — appears again and again, in market after market.

The Strategy Question

For business leaders, the interesting question is not whether the lipstick index would survive peer review. It is what the underlying behaviour means for strategy. Downturns tend to *bifurcate* markets. At the value end, discounters thrive as anxious consumers trade down. At the very top, true luxury often stays resilient, because the wealthiest customers' purchasing power is least exposed to the cycle. The most dangerous place to stand is the squeezed middle — too expensive to be a reflex purchase, too ordinary to be a dream.

Lipstick-effect logic suggests one escape route for premium brands: build a deliberate entry-level price point — a small, beautifully made product that lets cash-strapped customers stay inside the brand until better times return. The luxury industry has long understood this; the perfume, the card holder and the branded chocolate box exist partly to keep the aspirational customer emotionally invested years before the first serious purchase. But the strategy carries real dangers. Cheap formats can dilute brand equity if they feel like a compromise rather than a distillation. Their profit margins are often structurally thinner, so volume must compensate. And there is a quieter risk: customers who discover that the small version is "good enough" may permanently forgo the flagship. Consumer sentiment eventually recovers; a positioning mistake can outlast the downturn that caused it.

What Comes Next

The little-treat economy is unlikely to shrink, because business is learning to engineer it. Streaming micro-subscriptions, in-app purchases, limited-edition snack collaborations and the six-euro artisanal coffee are all, functionally, lipsticks: small, frequent, emotionally charged purchases calibrated for anxious wallets. As economic uncertainty becomes a semi-permanent feature of modern life, expect more companies to design a "treatable" format into their portfolio from day one — a small door into the brand that stays open when the main entrance feels too expensive.

The deeper lesson, then, is not about cosmetics at all. A downturn does not switch consumers off; it redirects the current. Executives who ask only *"What will our customers stop buying?"* see half the picture. The sharper question — the one Leonard Lauder was really asking in 2001 — is this: *when our customers stop buying everything else, what will they still buy from us?*

— Written for Fluentora Professional Business English · approx. 1,250 words

Reading Questions

Progression: **Understand** → **Analyse** → **Apply.** Support every answer with a specific line or idea from the article.

Part A — Comprehension (understand)

1. What business observation led Leonard Lauder to coin the term "lipstick index" in 2001?
2. The article gives three psychological explanations for splurging during hard times — licensing, control, and affordable aspiration. Explain each in one sentence.
3. What happened to lipstick and nail polish sales during the 2008 financial crisis, and why does this matter for the theory?
4. How does the article describe the "bifurcation" of consumer markets during downturns — and which market position does it call the most dangerous?
5. What three risksdoes the article identify for premium brands that launch cheaper entry-level products?

Part B — Analysis (analyse)

1. The article treatsthe lipstick index as both a real behavioural pattern and a story that is convenient for business to tell. Which reading do you find more persuasive — and which specific piece of evidence tips the balance for you?
2. Compare the psychologists' explanation (licensing, control, aspiration) with the economists' explanation (reallocation of discretionary spending). Are they competing accounts of the same behaviour, or complementary ones? Defend .your position
3. The "squeezed middle" is described as the most dangerous place to be in a downturn. What underlying logic supports that claim—andcan you thinkofa mid-market brand that survived a recession well? What protected it?

Part C — Business Application (apply)

1. The article saysluxury housesuse the perfume, the card holder and the branded chocolate box as "a small door into the brand." Choose a real company that has done this well. What makes its entry-level product a distillation of the brand rather than a compromise — and has the flagship suffered?
2. Your CFO proposes cutting all marketing for your lowest-priced product because "its margin is too thin to matter." Using at least two ideas from the article, argue for or against — aloud, in under 90 seconds.

5 business writing — the recommendation memo

The written form of today's core skill: making a decision and defending it. (10–15 min)

Part A — The Skill

A recommendation memo is a short internal document that tells a decision-maker **what to do and why**. The golden rule is **BLUF — Bottom Line Up Front**: state your recommendation in the first one or two sentences, then support it. Senior readers decide in the first five lines whether to keep reading.

STANDARD STRUCTURE

1.Header (To /From / Date / Subject) → **2. Recommendation** (1–2 sentences, up front) → **3. Rationale** (2–3 evidence points) → **4. Risks & mitigation** (name the main risk yourself, before your reader does) → **5. Next step** (one concrete action with a date)

Part B — Analyse an Authentic Example

Read this memo written by the Marketing Director of a mid-sized coffee chain, then answer the three questions below.

> **To:** Elena Marsh, CEO | **From:** Daniel Okafor, Marketing Director | **Date:** 14 March | **Subject:** Recommendation — protect the €3.50 pastry programme in the 2027 cost review
>
> **Recommendation.** I recommend we exclude the in-store pastry programme from next year's cost cuts and instead increase its visibility at the till. The evidence suggests it is our most recession-resilient revenue line.
>
> **Rationale.** First, while average ticket size fell 9% last quarter, pastry attachment rose from 21% to 29% of transactions — our customers are trading down from lunch, not leaving us. Second, the pastry line carries a 68% gross margin, our highest in store. Third, industry data on "little treat" behaviour indicates that small indulgences hold up precisely when consumer sentiment weakens; cutting ours would surrender that demand to the bakery next door.
>
> **Risk.** One potential drawback is cannibalisation — pastry purchases replacing higher-value lunch orders. We will monitor lunch attachment weekly and reassess if it falls more than three points.
>
> **Next step.** With your approval, I will present a till-placement plan at the 28 March leadership meeting.

1. Where exactly is the recommendation stated, and how many words does Daniel "spend" before the CEO knows what he wants?
2. Identify the three types of evidence Daniel uses. Which is the strongest, and which could the CEO most easily challenge?
3. Find two hedging or diplomatic phrases in the memo (e.g. softening language). Why is naming the risk *himself* a persuasive move rather than a weakness?

Part C — Guided Editing

This memo opening breaks every rule you have just learned. Rewrite it aloud (or on paper) so the recommendation comes first, vague claims become the specific data provided, and emotional language becomes professional language.

> "As you know, things have been really difficult lately and everyone is quite worried about the situation. I have been thinking a lot about this. There are many factors to consider and it is honestly a very complicated topic. Our cheap product line is doing sort of okay, actually maybe better than okay, and the expensive one is not doing great, which is a bit scary. So maybe at some point we should possibly think about doing something with the pricing, if that makes sense."

DATA AVAILABLE TO THE WRITER

Entry-line sales:+17%year on year · Flagship sales: -12% · Entry-line gross margin: 41% · Company-wide consumer survey: 71% of customers say they are cutting large purchases but keeping "small treats"

◆ **Editing targets:** ① Recommendation in sentence one. ② Replace "sort of okay" / "not doing great" with the numbers. ③ Delete emotional fillers ("scary," "honestly," "if that makes sense"). ④ End with one concrete next step.

Part D — Independent Writing Task

Scenario: You are a director at a company you know well (real or imagined). A downturn is forecast for next year. Write a **recommendation memo (120–150 words)** to your CEO: should the company introduce a low-priced "everyday treat" version of its flagship product — yes or no?

REQUIREMENTS

✔Recommendation stated in the first two lines (BLUF) ✔ At least four vocabulary items from Section 3 ✔Two evidence points (invent plausible figures) ✔ One risk + one mitigation ✔ One concrete next step with a date

6 business case study — maison verlaine

A fictional case. Apply everything from today: the video's psychology, the article's strategy, the memo's structure. (15–20 min)

COMPANY BACKGROUND

Maison Verlaine is a family-owned premium chocolate house founded in Lyon in 1987. It operates six boutiques in France, a growing e-commerce channel, and wholesale partnerships with upmarket department stores across Europe, including Poland and Germany. Annual revenue: **€38 million**. The brand's identity is built on craftsmanship, elegant gifting, and a strictly premium image — it has never discounted and never sold through supermarkets.

BUSINESS CHALLENGE

Economic forecasts for the coming year are gloomy: consumer confidence across Verlaine's core markets has fallen for six consecutive months, and retail analysts expect a broad pullback in discretionary spending on gifts. The board meets in three weeks to set next year's strategy. The CEO has asked you, as an external advisor, to recommend a direction. The family founders are present — and deeply protective of the brand.

SUPPORTING BUSINESS INFORMATION

Price range	Product line	Share of revenue	Gross margin	Volume trend (YoY)
€45–€120	Signature gift boxes	62%	71%	**-18%**
€6–€9	Single-origin bars	23%	48%	**+22%**
€15–€60	Seasonal collections	15%	63%	-7%

- Customer survey (n = 2,400): **64%** plan to cut spending on gifts next year; **71%** describe small everyday treats as "non-negotiable."
- Verlaine's main department-store partner is demanding **promotional discounts** for the first time in the relationship.
- A mass-market confectionery group has announced a **premium-look bar line at €5**, launching in supermarkets in four months.
- Boutique staff report customers increasingly buying **one or two single bars** "as a little treat for myself" rather than boxes as gifts.

Strategic Options

There is no "correct" answer. Every option involves a meaningful trade-off.

Option A — Launch "Petits Plaisirs" (€4–€6) in supermarkets

Capture trade-down demand with a new affordable line before the mass-market competitor owns the shelf. *Trade-offs*: risks diluting brand equity, thinner margins requiring high volume, and channel conflict with Verlaine's own boutiques and department-store partners.

Option B — Hold the premium position and cut costs 10%

Protect the brand's no-discount heritage, reduce over heads, and ride out the downturn. *Trade-offs*: accepts a probable revenue decline, cedes the affordable-treat moment to competitors, and may force painful cuts to craftsmanship or staff.

Option C — Reposition the existing €6–€9 bars as "the affordable luxury"

No new products; shift marketing spend to reframe the single bar as the intelligent little indulgence for hard times. *Trade-offs*: requires significant marketing investment during a downturn, and bar growth (+22%) may not offset the gift-box decline (-18%) fast enough.

Option D — Pivot toward corporate gifting and travel retail

Diversify away from consumer sentiment: airport boutiques, hotel partnerships, B2B gift programmes. *Trade-offs*: long sales cycles, corporate budgets are also cut in downturns, and the family fears the brand becoming "a logo on a conference bag."

Executive Discussion

1. Which single data point in this case would most influence your decision — and why that one rather than the others?
2. Option A protects revenue but risks brand equity. How would you *measure* whether dilution is actually happening, early enough to reverse course?
3. Is the +22% growth in single bars genuine evidence of the lipstick effect — or could something else in the case explain it? Argue both sides before you commit.
4. Which option would the founder family most likely resist, and what arguments — and language — would you use to persuade them diplomatically?
5. If you could combine elements of two options into a hybrid strategy, what would you build — and what would you knowingly sacrifice?

Executive Recommendation — Your 2–3 Minute Board Presentation

YOUR TASK

Present your recommended strategy to the Verlaine board. Structure your presentation exactly like your memo from Section 5: **recommendation first**, then three evidence points drawn from the case data, then the main risk with your mitigation, then one concrete next step. Speak for 2–3 minutes without reading.

EXECUTIVE PHRASES TO USE

"From a strategic perspective, the data points clearly toward..." · "The evidence suggests our customers are not leaving us — they are trading down within the brand." · "One potential drawback is..., which we would mitigate by..." · "We should also consider the second-order effects on..." · "This approach carries significant risk; on balance, however..."

BOARDROOM CHALLENGE — AFTER YOU HAVE PRESENTED

margins on every product line — and hitting the low-priced, chocolate-heavy formats hardest. The chairman turns to you: *"Does your recommendation survive this?"* You have 60 seconds to reassess and defend — or intelligently revise — your strategy. Adjusting your position under new evidence is a strength; abandoning it in panic is not.

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professional homework

A realistic work place task. Approximately 20–30 minutes. No answer key — your reasoning is the answer.

Strategy Brief — "Find the Lipstick in Your Industry"

Write a **200–250 word strategy brief** for the leadership team of your company (or a company you know well), answering one question: *if a downturn hit next year, what is — or what could be — our "lipstick"?*

- Identify **one small, affordable product or service** your customers would keep buying when they cut everything else. If none exists, propose one.
- Explain **why** it would prove counter-cyclical, using the consumer psychology from today's video and article.
- Include **one piece of evidence or observation** from your own market (a trend you've noticed, a customer behaviour, a competitor's move).
- Name **one risk** of promoting this product — and one mitigation.
- Use at least **six vocabulary items** from Section 3, in **bold**.
- Finish with a **one-sentence recommendation**, BLUF-style, that could open a board meeting.

Next lesson: you will present your brief aloud in two minutes — and your coach will play the sceptical chairman.

SIGNATURE TAKEAWAY — REMEMBER THIS ONE IDEA

A downturn does not switch consumers off; it redirects the current. The winning question is not "What will our customers stop buying?" — it is "When they stop buying everything else, what will they still buy from us?"

✎ Video Transcript

"The lipstick effect"—ABC 10 News, San Diego · youtube.com/watch?v=yWrGd5uENvk

Reporter (Pearl Shaheen): There's a theory that people buy small treats when they can't afford big purchases. It's called the lipstick effect because sales for cosmetics tend to go up when there's uncertainty in the economy.
Experts say it could be happening right now, and it might not be the most effective way to save. San Diego's inflation rate was the highest in the nation last month, but most people can still afford a tube of lipstick.

June Gibson: Well, it just made me feel better.

Reporter: June Gibson says buying cosmetics gives her some joy during difficult times.

June Gibson: When I was getting a divorce several years ago, I was kind of short on money and so I would either buy a tube of lipstick every 3 months or I would buy a bar of goat milk soap and that was my treat and that was all I could afford.

Reporter: I spoke to a consumer psychology expert at UCSD named Uma Karmarkar about this so-called lipstick effect.

Dr. Uma Karmarkar: The economy is maybe not doing that well. Things in general are expensive and yet you'll see an increase in the purchase of things like lipstick.

Reporter: She says this trend of buying small affordable treats is more common during periods of economic uncertainty. Consumers' confidence in the economy has dropped over the last four years according to an annual survey done by a think tank called the Conference Board.

Dr. Uma Karmarkar: If people are trying to restrain themselves or have to restrain themselves in a bunch of different domains, again, you could have that kick in of like, well, I can give myself this little treat here because I'm foregoing so much and being so good in so many other places.

Reporter: Karmarkar says these smaller purchases are helpful to boost consumer morale, but like everything else, moderation is key. The problem becomes if the impulse buying takes over. If all those little things add up.

Dr. Uma Karmarkar: Because we love new things, because we love new experiences, we can try and encourage ourselves to look for them outside of shopping in commercial spaces.

Reporter: Karmarkar says the thrill of shopping can be addicting. She encourages consumers to pay attention to their habits before costs add up or try some new activities to save money. Pearl Shaheen, ABC 10 News.

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