



Riding out the Consumer Spending Crunch

While the media and indeed financial predictions are erring on the side of caution before using the 'R' word for Australia, it is clear we are experiencing an uncertain economic climate. This together with the rising cost of living is undoubtedly affecting consumer spending patterns.

As Woody Allen famously once said, "80% of success is showing up". Research from the response to the global financial crisis in 2007/08 has shown that those brands that remained present and available were able to ride it out. Those brands that switched to survival mode did not fare as well.

On average, brands that increased media investment realised roughly a 17% growth in incremental sales, and more than half saw subsequent improvements in year-over-year return on investment over a two-year period during the recession.

Your online presence is now more important than ever. If people are spending less going out, they are likely spending more time scrolling - this is a great time to get your brand in front of your audience. Being present - showing up - increases your brand's visibility and recognition. Follow this up with a smooth, hassle-free online experience and you are shoring up your ship to weather the storm.

So what do we know about how consumers' spending habits change in times of uncertainty? We know they will continue to look for quality, and expect greater value from their spending. It was Lauder, heir to the Estee Lauder empire, that found during the recession in the 2000s, sales of their beauty products, particularly red lipstick increased. It was seen as a small indulgence, a feel good purchase, without breaking the budget. The 'lipstick index' is now considered a financial indicator used to show bear markets or recessions. Who would have thought!

Craft beer, if positioned correctly, can play perfectly into this sentiment as an "affordable luxury", an antidote to reality without being ostentatious. Even in a pressured financial position, we all want those little treats to get through the tough times. This is the time to dial up the permissible indulgence of craft beer in your marketing communications. Remind your customers of the craftsmanship and authenticity of craft beer.

We know that with the tightening of purse strings, people will start to replicate their going out experiences at home. And yes, there is a term for that as well - the homebody economy. Craft beer can add to these more indulgent home experiences. Think about aligning with restaurants doing take home experiences, luxury brands like candle producers, small batch chocolatiers and beauty and skin care. Companies that lean into this cocooning trend and innovate in making home better can maintain visibility, even in times of people going out less.

Whilst we are starting to see improvement in consumer spending sentiment, we are still riding some pretty rocky waves. Having an understanding of consumer spending habits and motivations in these periods of uncertainty and making slight changes, we believe there is always an opportunity to make a positive impact on your business.

Beer Matters. has just published a full report on the current economic impact to craft beer. Be sure to get in contact if you'd like to know more.

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