From Lipstick Effect to Rational Regression: An Analysis of Changes in Consumer Behavior under the Background of Economic Fluctuations

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Abstract. This paper aims to examine the profound change of consumer behavior in the period of economic fluctuations, that is, from passive price recipients to active value seekers. Focusing on the coexistence of "lipstick effect" and so-called "consumption degradation", this paper proposes a concept of "rational regression" to uniformly explain these seemingly contradictory behaviors. The study found that consumers are making wise and value-oriented decisions through various methods. Consumer's decision-making has changed in the past two decades, and the year-on-year growth rate of per capita disposable income of residents has shifted from high-speed growth stage to medium-high speed stage, which also reflects that consumer's decision-making is gradually becoming rational. This behavior change makes the empty brand narrative invalid, forces enterprises to compete on the real product value or emotional resonance and also promotes the government to make relevant decisions. Sustainable economic growth must be rooted in real value creation, rather than speculative or marketing driven demand. Finally, this study provides an integrated perspective for understanding contemporary consumption patterns and provides strategic enlightenment for enterprises and policy makers in dealing with an increasingly picky market environment.

Keywords: Rational Consumption, Value Orientation, Consumption Degradation, Lipstick Effect, Consumer Behavior.

1 Introduction

In recent years, with the cyclical fluctuations of macro-economy and structural adjustment, the domestic market has shown many complex scenarios. On the one hand, the phenomenon of "consumption degradation" represented by the "temporary product boom", the rapid growth of discount retail platforms, and the rapid rise of "de branding" has gradually attracted attention. On the other hand, the phenomenon of "milk tea economics" and higher film box office still shows amazing resilience, confirming the classic "lipstick effect". These two seemingly contradictory trends have emerged in the market at the same time, and together they outline a complex and delicate picture.

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Therefore, a core problem also appears. In the changing economic environment, what changes have taken place in consumers' psychological expectations and behavioral logic. Is the "micro luxury" represented by "lipstick effect" and the pursuit of cost performance represented by "consumption degradation" contradictory or different sides under a set of decision logic?

In order to solve the above problems, this paper will carefully sort out the relevant research, clearly define the core concepts and performance of "lipstick effect" and "consumption degradation", and deeply understand the economic and psychological motivation behind them. Finally, on the basis of establishing the internal relationship and logic between the two, predict the development and trend of related research fields in the future.

2 Theoretical Background and Concept Discrimination

2.1 The Concept of Lipstick Effect

Lipstick effect is an economic phenomenon that has been widely studied and verified during the great depression in the United States in the 1930s.With the development of time, it has many derived meanings. Some scholars believe that lipstick effect is a trend of consumers' preference for low-cost non-necessities due to economic uncertainty in the economic downturn. In Hngxiangjun's view, lipstick effect is an economic phenomenon in which consumers prefer cheap non necessities with psychological consolation due to the decline of income and expectation during the economic depression, which makes specific industries such as entertainment show counter cyclical prosperity [1]. Daniel MacDonald et al. Analyzed the data of the U.S. Bureau of Labor Statistics and found that the average cosmetics expenditure of young women (aged 18 and 40) increased significantly during the economic depression, which further confirmed the lipstick effect [2]. Mohsin Raza believes that lipstick effect refers to the choice of luxury goods with reasonable prices, from the consumption of ultra expensive single products to more affordable or second-line luxury goods [3].

2.2 Consumption Degradation and Related Concepts

As for the concept of consumption degradation, Lixiaojia pointed out that in the past, the definition of "consumption degradation" mainly referred to the phenomenon that consumers reduced consumption experience, personality requirements and taste levels and turn to low-cost goods [4]. With the passage of time, consumption degradation has been given a richer meaning. It is no longer reasonable to simply equate consumption degradation with the decline of living standards, and its limitations have also been amplified. Debao Hu and others pointed out that consumption structure is more important than consumption volume. If households spend more on education and training, culture and entertainment, and durable goods, then households' consumption will be upgraded, otherwise it will be degraded [5]. Therefore, based on the definition of consumption degradation in previous literature, it can be concluded that consumption degradation refers to consumers' choice of goods with higher cost performance because

they pay more attention to the practical value of goods and the rationality of prices, rather than simply pursuing brands.

In order to solve the limitation of consumption degradation, scholars proposed the concept of consumption classification to describe the current market structure. Consumption grading is a differentiated consumption pattern formed by different groups based on their own needs, and it is a concrete manifestation of rational regression. Sun Xingjie's research believes that the development of high-end consumer markets does not conflict with the development of cost-effective markets, and the consumption needs of urban and rural residents are actively transforming and upgrading [6]. Therefore, consumption grading can be understood as the cause of consumption degradation. It reveals that individual consumption behavior is not simply upgrading or degrading, but a process of optimizing consumption portfolio and continuously pursuing utility maximization without reducing the quality of life.

3 Causes of Rational Regression

The shift in economic growth has become a common phenomenon, which has led to a change in residents' expectations of future income. According to the data of the National Bureau of statistics, the year-on-year growth rate of per capita disposable income of residents has transitioned from high-speed growth stage to Statisticsh-speed stage (as shown in Figure 1). This expected change has profoundly changed the consumption decision-making of families.

As shown in Figure 1, from the trend of per capita disposable income and year-on-year growth rate from 2006 to 2025, the two show the differentiation characteristics of "continuous expansion of income scale and gradual decline of growth rate". In terms of income scale, the per capita disposable income was only about 2000 yuan in 2006 and then maintained an upward trend year by year. It exceeded 45000 yuan in 2025 and has achieved growth of more than 20 times in 20 years, reflecting the long-term improvement trend of residents' income level. In terms of growth rate, the growth rate rose rapidly to about 13% from 2006 to 2007 and then fluctuated but showed a downward trend as a whole. After 2013, the growth rate fell to below 8%; The growth rate in 2020 dropped significantly due to external shocks. After a short rebound in 2021, it gradually fell back to around 5%. This change not only reflects the long-term logic that economic development drives income growth but also reflects the law that income growth slows down with the change of economic development stage. The fluctuation of growth rate in 2020 highlights the short-term impact of external factors on Residents' income growth, while the subsequent income scale remains expanded, indicating the resilience of economic recovery and income growth. The change of consumption structure also reflects the change of consumer decision-making.

In the stage of high-speed economic growth, Zou Hong and other scholars pointed out that consumers tend to have optimistic expectations about the sustained and rapid increase of future income, which will make the consumption concept more open [7]. At this time, people are more willing to try to lead consumption and brand consumption, with strong consumption willingness and relatively high marginal propensity to

consume. On the contrary, if consumers lack confidence in the future income prospects, their consumption behavior will become cautious and restrained, and they are more inclined to save rather than consume immediately. After the occurrence of major adverse impacts such as the Covid-19 epidemic, the uncertainty of the economic environment has increased significantly, and people's income level and growth expectations will be directly affected [8]. Thus, people will further strengthen the conservative consumption mentality, pay more attention to risk aversion in consumption decisions, and reduce unnecessary expenditures. Therefore, when income expectations slow down, the focus of consumption decisions will shift from "what you want" to "what you really need" and "whether you can afford it". This has significantly increased consumers' willingness to compare prices when shopping, greatly improved their acceptance of all kinds of cost-effective goods and "flat replacement", and made their consumer behavior more cautious.

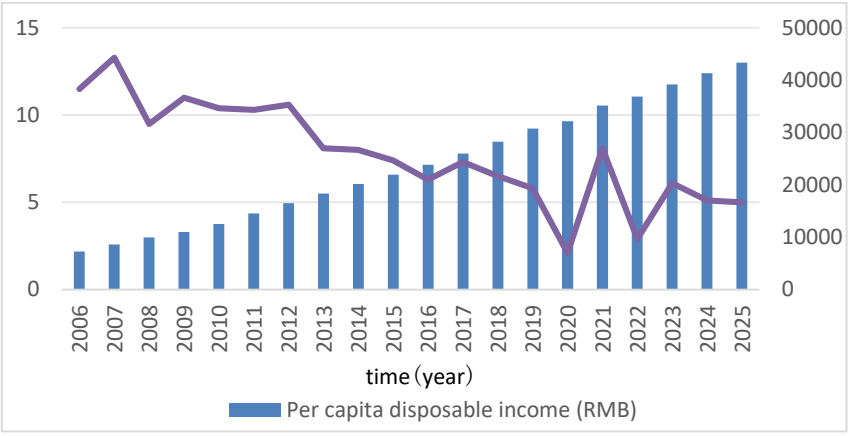


Fig. 1. Relevant indicators of per capita disposable income of national residents

Data source: National Bureau of Statistics

In addition, the study points out that in an environment of high uncertainty, some consumers will become more conservative and risk-averse, and they will make more preventive savings and reduce current consumption [9]. Giovanni Immordino et al. Also pointed out that the possible reason for the decline in consumption was the uncertainty of the duration of the health crisis and its potential economic impact on future income, employment prospects and the government's ability to maintain the family budget through welfare projects, resulting in a preventive savings effect [10]. For example, those products with a high brand premium but unclear core functions. On the contrary, they prefer goods with clear functions, reliable quality and high-cost performance, because the "utility" brought by such consumption is definite and visible. It is the psychological pressure brought about by this uncertainty that has given rise to the demand for small, cheap luxury goods, such as lipstick, high-quality snacks, movies and other items. Through data analysis and research, it is found that during the economic recession, the sales of lipstick and other cosmetics increased instead of decreased. Aurore bardey's report shows that the crisis related to the COVID-19

epidemic has promoted the sales of the beauty industry [11]. These products, which are small in consumption but can provide immediate and definite psychological comfort, are rational choices for consumers to make psychological adjustment in a severe macro environment, which explains why the "rational return" includes such seemingly perceptual behaviors as the "lipstick effect".

Therefore, macroeconomic fluctuations do not simply lead to the decline or rise of consumption, but trigger and accelerate the systematic optimization of consumer decision-making mode. From a relatively perceptual and casual consumption state, consumers enter a delicate consumption state. This is exactly the "rational regression" defined in this paper.

4 The Significance and Discovery of Rational Regression

4.1 Meaning to Consumers

For consumers, rational return is not just a simple "money saving" or "degradation", but more a comprehensive deepening innovation. Consumers are changing from passive price receivers to active value judges. With the development of the times, its significance for consumers will continue to expand.

Consumers are no longer satisfied with the single perspective provided by the brand side, but take the initiative to make their own consumption choices by using social media, price comparison tools, etc. They go deep into all aspects of the product, and their decision-making basis shifts from "branding" to "actual value". Although this process increases the decision-making cost, it significantly improves the certainty and satisfaction of consumption. For example, young people choose affordable daily necessities through the price comparison platform and use the saved budget for experiential consumption such as fitness and online courses to maximize their personal utility.

Through "rational return", consumers can more effectively allocate the limited budget in the areas that can bring the greatest utility. They learn to choose cost-effective alternatives in daily necessities and other fields, so as to use the saved budget for products that really improve the quality of life (such as health, education, experiential tourism or emotional comfort). This is essentially a refined financial management and happiness maximization strategy at the individual and family levels.

At the same time, when more consumers choose based on the real value of products, it will form a powerful market force, forcing enterprises to reduce marketing routines and focus on improving the core value of products and services.

4.2 Challenges to Enterprises

The idealization of consumption decision-making means that the traditional marketing method of advertising and storytelling is gradually failing. The core issue that enterprises need to consider at present is: why do consumers choose me? The answer can no longer be a vague brand image, but a clear value. For example, the number of stores in the world has exceeded 5000 through the strategy of 'high quality and low

price' to meet the rational consumption trend; Paopao Mart achieved revenue growth in a rational consumption environment through emotional value creation.

Therefore, enterprises need to clarify their positioning in the so-called "cost performance market" and high-end "value experience market" to avoid falling into the middle trap. If people choose cost performance, people need to be extreme. If people choose high-end, they need to provide a unique experience. The strategy of trying to blur its positioning will no longer be effective.

4.3 Enlightenment to Macro Economy

The change of consumption behavior revealed by "rational regression" also has some enlightenment for the sustainable development of macro economy. It means that the healthy growth of the future economy may be more dependent on solid innovation and real value creation of the real economy, rather than asset bubbles or marketing bubbles.

In the past, the effect of the model of stimulating demand to drive growth in the short term may continue to weaken in front of consumers. The fundamental driving force of growth can turn to the supply side, that is, to stimulate consumers' desire to buy through technological innovation and industrial upgrading. At the same time, the classification and differentiation of the consumer market will be a long-term trend, and policy formulation should be more structural thinking. For example, while encouraging the return of high-end consumption, people should pay more attention to stimulating the mass consumer market by improving the social security system and income distribution, so as to prevent structural imbalance. A healthy macro-economy should show that consumers can obtain goods and services highly matching their needs, at a reasonable price. The phenomenon of "rational return" itself is a positive signal that the market mechanism is maturing, and the efficiency of resource allocation is improving. The policy should protect this deepening, so as to further promote economic development.

5 Conclusion

This paper reviews the changes in consumer behavior under the background of economic fluctuations. Firstly, it introduces the definitions of lipstick effect proposed by different scholars under the background of the great depression, Next, it points out the definition and limitations of consumption degradation and then introduces the concept and current situation of consumption classification. Next, it points out the core reason of consumption classification, that is, economic fluctuation, the main reasons for the grading can be summarized as the slowdown of income expectations and the increase of uncertainty, and then it is pointed out that consumption is not a simple downgrade, but the result of rational thinking.

After putting forward the definition of rational regression, it expounds the different meanings for consumers and enterprises. For consumers, it mainly includes decision-making upgrading, financial optimization and market position promotion. For enterprises, it is necessary to clarify their own positioning, reduce marketing

investment, focus on improving their own value, and bring better experience to consumers.

Finally, the paper expounds the Enlightenment of rational regression on macro-economy, puts forward the focus of future economy, and suggests that the government can put forward more corresponding policies, so as to further promote economic development.

Due to the different situations in different countries, future research should be analyzed in combination with the national conditions, and the research on the development and impact of consumption idealization in China is also lacking. In the future, people should pay attention to these aspects of research, constantly improve the relevant research system, and promote the prosperity of China's economic market.

In addition, at present, China's research on it focuses on macro aspects, such as discussing the upgrading or downgrading of China's consumption and the countermeasures and suggestions on the current situation. There are few studies that analyze from a specific aspect, such as specifically exploring the changes of consumption behavior of specific age groups in the context of the times. In the future, people can conduct more in-depth discussion and analysis from these perspectives.

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