

## **Brand Segmentation Study of Bulgarian Markets for Fast Moving Consumer Goods and Durable Products**

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**Abstract:** *Segmentation has been a central concept in marketing theory and practice for decades. Since F.B. Evans' controversial article "Psychological and objective factors in the prediction of brand choice: Ford versus Chevrolet" (1959) several studies have been conducted in attempt to capture meaningful relationships between brand choice and psychographic, demographic and behavioral variables. The idea that different brands appeal to different profiles of customers is intuitively adopted by practitioners and academics as conventional marketing emphasizes the importance of segmentation, brand differentiation and positioning to marketing success. But does brand preference really discriminates between customers? The purpose of this paper is to present the results of an empirical study of the Bulgarian market for 1) four categories of fast moving consumer goods and 2) three categories of durable products. The main objective of the study is to examine the existence of brand level segmentation of the customers of competing brands.*

**Keywords:** *segmentation, brand preference, demographics, psychographics.*

### **1. INTRODUCTION**

The first study to draw attention on the usage of psychographic and demographic variables in predicting brand choice was Franklin B. Evans' 1959 findings about the relationship between automobile brand image of two of the most popular brands by that time – Ford and Chevrolet and their owners' personality. The study compared the abilities of psychological and objective variables to predict automobile brand choice showing that both of these measures, individually and in combination were only weakly related to the ownership of the two brands. The study evoked strong controversy as by that time the purchase of a car had a deeper symbolic meaning to Americans and companies strived to build distinctive images for their brands. Since then numerous studies have examined the existence of predictive relationship between brand choice and different sets of variables, among the most noticeable of which are R.Kennedy and A.Ehrenberg's study of the data of BMRB International's Target Group Index for 42 varied industries in the United Kingdom, the results of which testify for the lack of brand segmentation. Other studies on the subject include Geraldine Fennel, Greg Allenby et al. presented in their articles "The Effectiveness of Demographic and Psychographic Variables for Explaining Brand and Product Category Use" (2003) concluding that demographics and general descriptors are not appropriate for explaining relative brand preference as they describe what type of person is more likely to use a certain product category but do not provide information about the motivating conditions that lie behind the preference of a particular brand. "No brand level segmentation? Let's not rush into judgment" (Marketing research, 2002). This paper presents the results of a study of the Bulgarian markets of four widely used categories of fast moving consumer goods – beer, yogurt, sausages and toothpaste and three categories of durable products – mobile phones, laptops and cars. These particular categories were chosen because their markets in Bulgaria have mostly matured during the last 10 years and previous research focuses on stable, well-developed markets in Western Europe and the USA. One of the purposes of the study is to examine if previous findings about the lack of brand segmentation apply to developing markets as well, such as the Bulgarian one.

### **2. MAIN HYPOTHESES**

The main hypothesis of this study are the following: H1: There is no brand level segmentation and similar brands in terms of price, brand penetration and market share would have similar demographic and psychographic profiles of their customers.; H2: Brand segmentation might occur as an exception but not as the general rule.

### **3. METHODOLOGY**

The data for this study was collected through personal face-to-face interviews. The sizes of the samples for the two categories of FMCG and durable products are accordingly 1082 and 870, consisting of Bulgarian citizens over the age of 18,

living in Bulgarian cities. The MSoD<sup>1</sup> (Many Sets of Data) approach was adopted for the purpose of this study which comprised the use of several samples of data for seven categories of products collected in three waves. The analysis of the data was separated into two parts – analysis of the psychographic and demographic profiles of each brand. Since the markets of the four categories of fast moving consumer goods are repertoire, the subsamples of users of each brand consist of respondents who have indicated that 1) the brand is the one that they use most frequently or 2) is among the brands the respondent uses most frequently. The study of the three categories of durable products included current users of each brand. The demographic profiles of the brands were compared with the average profile for the category and the magnitude of the differences between the profiles was estimated by calculating the mean absolute deviation (MAD) as a more stable indicator of dispersion for non-normal distributed data. The psychographic profiles of the brands were outlined with the help of 30 variables, such as “I like trying out the new things on the market, “I budget well when I go shopping”, “I try to live healthy”, measured on 5-point Likert agree-disagree scales.

#### 4. THE RESULTS

In summary, the results were positive and supported the hypotheses. The profiles of the users of competing brands did not differ significantly. The average MADs for both demographic and psychographic profiles for the categories of durable products were 4 and 3 for the categories of fast moving consumer goods. The deviations from the average psychographic profile larger than five percentage points were 16% for the durable products and 26% for the FMCGs. Although in general few differences were found to signify the existence of meaningful brand segmentation, some grouping was observed with the car and the beer markets in Bulgaria. At first, it appeared that the owners of the German brands Volkswagen and Opel are more likely to be conservative and less inclined to take risks than the owners of another popular brand in Bulgaria – Peugeot. However, these differences cannot be attributed to the brands` differentiation and segmentation but to some specifics of the Bulgarian car market where only a small portion of the population buys new cars and where German brands are known for their durability and reliability. French cars on the other hand are perceived as too fragile and non-suitable for Bulgarian roadways and people who dare to buy French cars buy mostly newer cars. To sum up the situation, the car park of Volkswagen consists of older and respectively cheaper vehicles than the one of Peugeot, despite the fact that the two brands are competing in the same class. So, behind the seeming psychographic segmentation lies a well known demographic and market segmentation.

A very clear distinction was found between users of the more expensive foreign brands of beer and users of national average and below average-priced brands although the absolute monetary difference between the prices of the two groups of brands is relatively small. In both studies, most of the significant differences were found for above and below-average priced brands. Logically, the users of expensive brands are more likely to define themselves as financially sound, more open to trying new products, eager to pay more for quality items and afford more entertainment. Users of cheaper brands on the other hand, are more likely to prefer the old established brands than the new ones, to deprive themselves of many things to live and are less likely to buy things they don`t need. Similar brands in terms of price, brand penetration and market share were not found to have significantly different psychographic profiles of their users. Even fewer differences were found between the demographic profiles of the brands – for the FMCGs category only 15% of the deviations from the average profile were larger than five percentage points and 12% for the durable products. It is also observed that cheaper brands have some penetration in the higher income groups and vice versa. Table 1 summarizes the results for six psychographic variables for the users of seven beer brands and Table 2 compares the brands` demographic profiles against each other and against the average brand. Zagorka, Shumensko and Kamenitza are average priced (standard class) national brands and Ariana is a cheaper mass brand (economy class). Table 3 and 4 summarize the results for the same variables for the category of laptop computers. Differences higher than five percentage points have been highlighted.

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<sup>1</sup> See Ehrenberg A. and Bound J., „Turning data into knowledge”, Chuck Chakrapani (Ed.) „Marketing research – state of the art perspectives”, 2000.

**Table 1: Deviations from the average profile for six psychographic variables (Beer)**

Beer brand	I consider myself financially sound	When a new product comes out I am among the first to buy it	I budget well when I go shopping	It is not uncommon for me to buy things I don't need	I usually buy one and the same brand	I try to live healthy	I spend too much time working	The opinion of others is important to me
Zagorka	4	-1	0	3	2	1	-3	2
Shumensko	0	3	-1	-1	1	2	1	1
Kamenitza	6	5	1	3	-1	1	0	-2
Ariana	-4	-3	1	-1	1	-6	-5	-2
Tuborg	3	0	-6	2	-1	7	6	2
Heineken	6	0	-2	6	-2	2	6	7
Becks	6	3	-3	11	0	5	-2	1
<b>Average MAD (All brands)</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>2</b>

Becks has 11% more users than the average brand who have agreed with the statement "It is not uncommon for me to buy things I don't need". Kamenitza has 6% less users than the average brand. The mean average deviation for the statement "I consider myself financially sound" for all brands is 2.

**Table 2: Brand profiles by gender, age and income (Beer)**

Beer brand	Users	Gender (%)		Age (%)					Income (%)		
		Male	Female	20-29	30-39	40-54	55-64	65+	Low	Medium	High
Zagorka	334	51	49	22	20	34	14	11	41	51	8
Shumensko	311	55	45	25	22	32	11	10	36	56	8
Kamenitza	307	55	45	23	20	31	14	11	38	57	5
Ariana	263	55	45	19	19	32	15	15	48	46	6
Tuborg	150	53	47	27	28	32	9	4	29	49	22
Heineken	142	52	48	29	25	32	8	5	20	60	20
Becks	120	56	44	28	21	34	8	9	35	58	7
<b>The average brand</b>		<b>53</b>	<b>47</b>	<b>23</b>	<b>20</b>	<b>31</b>	<b>16</b>	<b>11</b>	<b>40</b>	<b>50</b>	<b>10</b>

The customer base of the average brand consists of 53% male users and 47% female users. Zagorka has 51% male users and 49% female users. 40% of the users of the average brand have low income, 50% medium income and 10% high income. 20% of the users of Heineken belong to the low income group, 60% have medium income and 20% have high income.

**Table 3 Deviations from the average profile for six psychographic variables (Laptop computers)**

Laptop brand	I consider myself financially sound	When a new product comes out I am among the first to buy it	I budget well when I go shopping	It is not uncommon for me to buy things I don't need	I usually buy one and the same brand	I try to live healthy	I spend too much time working	The opinion of others is important to me
Acer	-6	-2	0	1	-2	-3	-2	-5
HP	3	4	-3	1	1	1	0	0
Toshiba	-2	0	1	0	1	1	-1	-4
Dell	9	0	3	5	-2	0	-1	1
<b>MAD (All brands)</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>

**Table 4 Brand profiles by gender, age and income (Laptop computers)**

Laptop brand	Users	Gender (%)		Age (%)				Income (%)			
		Male	Female	20-29	30-39	40-54	55-64	65+	Low	Medium	High
Acer	158	49	51	44	37	15	4	1	22	63	15
HP	150	53	47	45	35	17	2	1	20	57	23
Toshiba	143	49	51	38	43	16	3	0	19	57	24
Dell	120	53	47	44	38	16	2	1	20	59	21
<b>The average brand</b>		<b>50</b>	<b>50</b>	<b>40</b>	<b>40</b>	<b>16</b>	<b>3</b>	<b>0</b>	<b>21</b>	<b>58</b>	<b>21</b>

## 5. CONCLUSIONS

Extensive research has been dedicated to consumer segmentation and targeting. But having knowledge of consumers' personality and demographic characteristics does not necessarily mean that we can predict their behavior and choices. Is there such thing as "our customers"? Competing brands usually share similar customer bases and are perceived as substitutable and complementary. And even if there is brand segmentation in some occasions, it is rarely meaningful and actionable. Usually, the signs of brand segmentation conceal well known market segmentation, e.g. brands from different classes have different image and might have significantly different customers in terms of social class, lifestyle and other demographic and psychographic characteristics.

It's been long known that brands differ mostly by their size and market penetration<sup>2</sup> and users are usually split-loyal to a set of brands<sup>3</sup>. It is also known that most customers do not perceive their preferred brands as "unique", nor do they hold many unique associations about them and further, unique associations have no additional value than any other type of association<sup>4</sup>; the users of small brands have similar attitudes against the brands they buy as the users of bigger brands. In order to be successful, brands need not be perceived as best or better than their competitors but to be regarded as a good example of their *category*. We can no longer "put a golden stripe and charge more" as somebody once said. Creative advertising and distinctive image are not sufficient to build strong brands and it is recommendable that companies: 1) define the most important attributes that customers seek in a product; 2) examine and follow closely the dynamics of consumers' priorities – things that are most important today might be secondary or no longer relevant in the future; 3) deliver these attributes, meeting and where it is possible, exceeding customers' expectations about the product itself 4) make their brands noticeable to consumers so they can include them in their buying repertoire; 5) do not impose unnecessary limitations to their target market

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<sup>2</sup> See Ehrenberg, A.; Goodhardt, G.; Barwise, P. (1990) "Double Jeopardy Revisited", Journal of Marketing, Vol.54, no. July, p.82-91.

<sup>3</sup> See Brown G. (1952-1953) "Brand Loyalty – Fact or Fiction", Advertising Age, 23 June 1952 – January 1953 (series).

<sup>4</sup> See Romaniuk, J.; Gaillard, E.; "The relationship between unique brand associations, brand usage and brand performance: analysis across eight categories", Journal of Marketing Management, Volume 23, Issue 3-4, 2007.

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