Bulgaria

And the winner is… the middle price segment

There is no general approach which can be adopted for determining price segments within a particular product group. The reason for this is that the assignment of a given brand or product to a low, middle or high/premium price segment is dependent on the subjective perception of the consumer as well as on their personal disposable income. Another problem that complicates the analysis of the dynamics of a price segment and the change in the general price level is inflation. As a result of changes in the prices of the different product categories, which in some cases may be significant, it is quite difficult to define the price segments on the basis of the average price. This means that an update of the intervals for each period analysed is necessary. On the other hand, the definition of price segments makes sense only if it is done within a particular product group and it cannot be applied generally to a given consumer basket since each group comprises individual categories with average prices that may vary considerably.

The overall average price at which households purchased the main fast moving groups monitored increased, on an annual basis, by 5.2% between the middle of 2006 and June 2007 as compared to the previous yearly period. At the same time, official statistics reported an increase of 7.9% in the consumer price index. We can conclude, therefore, that households bought slightly cheaper products on average in that period.

The greatest increase in the average purchase price was observed for the next yearly period (it increased by 18% year-on-year) and a high level for the consumer price index (17%) was also seen. There is no significant difference between the two indicators although the average purchase price slightly outstripped the inflation level.

The most significant difference was seen in the last year when the increase in the purchase price considerably outstripped the average increase in the consumer prices - 10.2% and 3.1% respectively.

Apart from inflation, the main factor to have an influence on the dynamics of the purchase price is a change in preferences between the price segments. There is a significant difference between the shares of the low, middle and high price segments: this is due both to the different average prices at which FMCG are bought and the variation in brand positioning within the categories. In order to achieve better segmentation, specific factors have been taken into consideration in defining the price tiers. The low segment comprises products bought at a price which is lower than 85% of the average price for that category whilst the middle segment covers prices which are between 85% and 115% of that figure and the high segment is those items whose price is above 115% of the average. In addition, for some categories an adjustment has been made to the segmentation if the nominal level of the average price is too low (e.g. mineral water, carbonated soft drinks) or too high (white cosmetics, deodorants, etc.).

The result is that the high price segment plays the most important role within the chemical categories and the personal hygiene and cosmetics baskets where the segment's value share is around or above 50%. When a smaller difference in the prices is found, as is the case in the dairy and packaged grocery product categories, the high price segment holds a smaller value share but has, in comparison to the other baskets, the biggest share in terms of volume.

In response to the significant increases in the prices of FMCGs from the middle of 2007, households, logically enough, changed their preferences towards the low price segment, which increased in volume from 43.4% to 48.0% at the expense of decreasing shares for the middle and high price segments. With a bigger difference between the inflation figure and the purchase prices for the year July 2008 to June 2009, the low price segment lost significantly in share and remained below its level for 2006/2007. However, this was not at the expense of the most expensive products on the market but resulted from an intensified consumption of middle priced products.

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GfK Consumer Index
Categories Analysed

CHILLED FOODS	PACKAGED GROCERY	ALCOHOL	SOFT DRINKS	PERSONAL CARE	HOME CARE
Cheese White	Biscuits	Beer	Mineral Water	Shaving&After Shave	Detergents
Cheese Yellow	Croissants	Sparkling Wines	CSD	White Cosmetics	Dish Washing
Other Cheese	Tablet Chocolate., Pralines, Bars		Ice Drinks	Oral Care	Home Cleaners
Processed Cheese	Powder Desserts		Juices	Deodorants	Home Care
Ice-Cream	Wafers		Soluble Soft Drinks	Femine Protection	
Milk	Snacks			Hair Care	
Yogurt	Cooking Fats			Personal Cleansing	
Yogurt Creams	Spread Fats (Butter, Margarine)			Shampoos	
Milk&Yogurt Desserts	Pasta				
	Condiments				
	Dry&General Garnish				
	Salad Dressings				
	Cocoa				
	Cappuccino&Mixtures				
	Instant Coffee Traditional				
	Roasted Coffee				
	Tea				
	Processed Meat				

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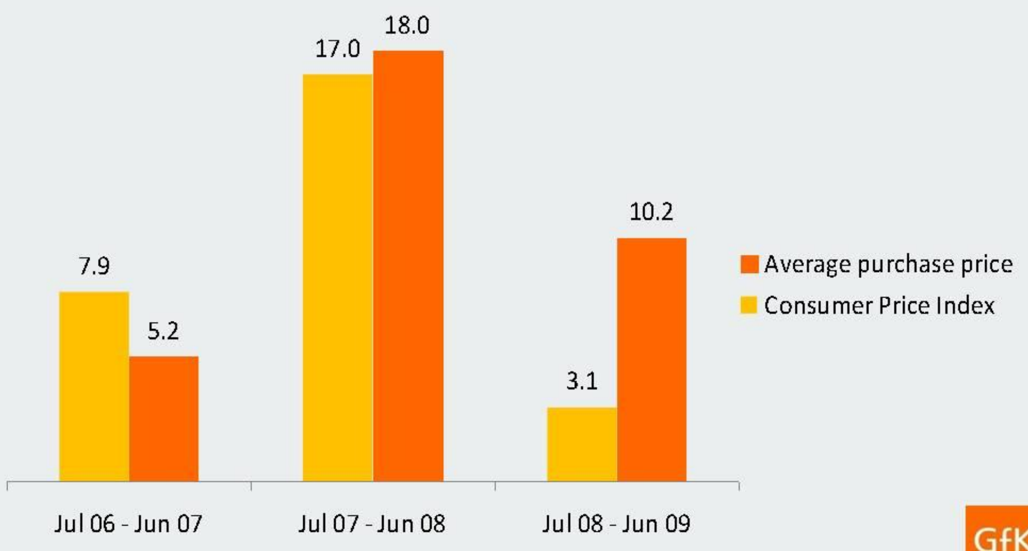
Price Dynamics
Base: previous year



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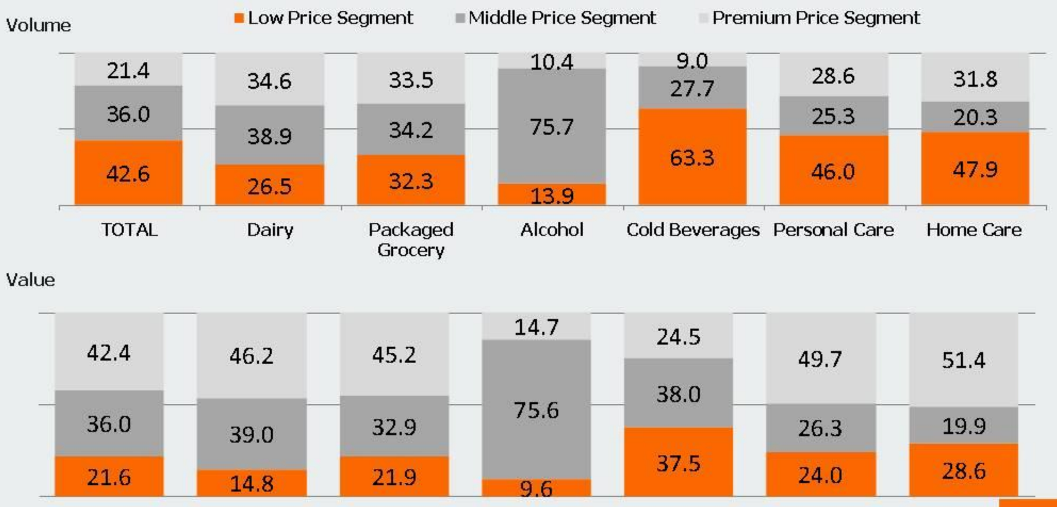
Share of Price Segments
July 08 – June 09



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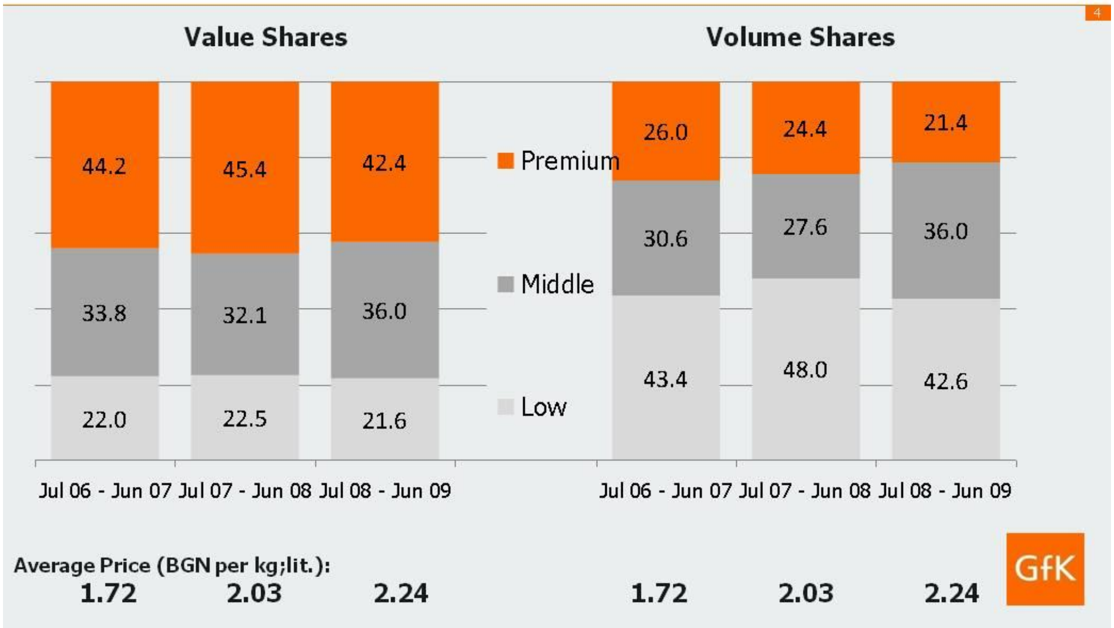
Dynamics of the Price Segments



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