

CUSTOMER PROFILING BASED ON THE CRITERIA OF SUSTAINABLE CONSUMPTION

The ever-increasing implementation of the concept of sustainable business development changes the market focus of many companies. This is the result of striving to serve a specific market segment with strong development potential – the "sophisticated" customers' market. The principle idea is that "sophisticated" customers have high ethical consciousness and intense sustainable consumption. This article attempts to determine whether a segment of "sophisticated" customers can be identified in a specific branch of the Bulgarian economy (sale of carbonated soft drinks) and what its characteristics are. On this basis, an original model (SMF-model) of customer profiling has been developed which reflects the concept of customer sophistication. The abovementioned model can be useful for optimizing the customer portfolios of the companies and for more effective financial planning.

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1. Introduction

Over the last two decades, the striving of a part of business and society to achieve a stable balance between economic, social and environmental goals became more and more tangible, which is the base of the concept of sustainable development. On the one hand, this process stimulates the modification of the profile of certain market segments. On the other hand, the dynamics of demand, manifested by a specific group of customers, determines the development of the concept of sustainability. Inevitably, these changes are accompanied by a new orientation of the market focus of many companies to supplying sustainable offers addressed to customers identified as "sophisticated". These customers can also be defined as "complex". Their requirements give reason to classify them as more complex in the service process. Sophisticated customers are distinguished by high ethical consciousness and intense sustainable consumption. The latter two features can be considered as a natural consequence of the evolution process in the profile of a significant proportion of customers.

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The ability of companies to identify segments with the specified features can add value to businesses in several ways: 1) it allows companies to better profile their market offers which creates prerequisites for higher customer satisfaction, repeated purchases, recommendations to potential customers, etc.; 2) optimizing customer portfolios of companies with a focus on higher-value customers or customers that require services related to specific competencies of the suppliers; 3) more effective financial planning based on knowledge of the characteristics of individual customer groups within customer portfolios etc.

2. Literature review

A series of scientific researches show that parallel to the development of markets, the profile of the customers is dynamic. Customers become: significantly more experienced in purchases (Sproles, Geistfeld & Badenhop, 1978); clearly more educated (Hirschman, 1980); they have major access to information and, as a result, they are better informed (Alba & Hutchinson, 1987); they are more competent in their customer's choice (Feick & Price, 1987); they are more value-orientated (Feick & Price, 1987). This leads different specialists to the conclusion that the proportion of modern customers who identify themselves as "sophisticated" is becoming larger (Titus & Bradford, 1996; Sauer, 1998).

To define the essence of the segment of the "sophisticated" customers in marketing theory, two schools were conventionally formed. According to the representatives of the first (Sproles, Geistfeld & Badenhop, 1978; Bames & McTavish, 1993), "sophistication" is a set of certain characteristics specific to customers. It is associated with possession of sufficient information, knowledge, education and user experience, based on which informed (and effective) purchasing decisions can be taken. Effectiveness of customer solutions is understood as getting the maximum benefit and satisfaction from the choices made.

Supporters of the second school (Titus & Bradford, 1996; Wu & Titus, 2000) do not reject the standpoint on the essence of "sophistication". They develop it further by pointing out that the basis for its formation are the afore-mentioned characteristics, but the true manifestation of "sophistication" is using these characteristics in "wise" consumer decisions and choices. In other words, the "sophisticated" customer is not just a well-informed, experienced user with high criteria and requirements when choosing a product / service. This is a person who, on the basis of accumulated information and knowledge, makes purchasing decisions in which he seeks a balance between meeting his or her personal goals and desires with those of proposers' future generations, and society as a whole. In the context of the sustainable development concept, it can be concluded that "sophistication" is a form of sustainability manifested at the level of "individual consumer behavior".

Liu (2010) contributes to clarifying the specifics of "sophisticated" customers by describing them as well-informed subjects who are constantly looking for and updating the information they have. They know the market well; have high product knowledge and experience. They tend to try new products, but they are always prone to values in their decision-making and purchasing choices. In the context of the afore-mentioned, three of the most relevant to consumer sophistication conclusions were made: (1) a higher perception of

the own "self"; (2) higher self-esteem which is inherent in "sophisticated" customers; (3) a tendency to reach a higher level of satisfaction with the purchases made. The latter is a prerequisite for "sophisticated" customers to be considered as a segment with a significantly higher potential for loyalty, which makes them an attractive target market for companies.

It is important to emphasize that the commented consequences are conditional. Conducted empirical studies show that "sophisticated" behavior can be highly influenced by the action of a set of socio-demographic factors such as gender, age, race, education, income level, religiosity level and political orientation (Kaufmann, Ali Khan Panni & Orphanidu, 2012).

For example, Kollmuss & Agyeman (2002) found that in the comparative perspective, demographic factors have the strongest impact on consumer demand for sustainable consumption. These authors explore the role of the said factors in the context of pro-ecological consumer behavior. They identify how and to what extent these factors provoke or deter consumers from choosing ecological / environmentally friendly products. For the purposes of this study, we assume that the pursuit of environmentally friendly products consumption is part of the overall striving to sustainable consumption. The basis for this assumption is the model of the three pillars of sustainable development.

Singhapakdi, et al. (2001) believe that gender, age and education are determining factors for shaping consumers' purchase decisions. While some authors do not see an objectively existing difference in male and female responses to companies' commitment to Corporate Social Responsibility (CSR)³ which is reflected in their consumer behavior (Robin & Hunt, 1997), the majority of studies show that women are significantly "more sophisticated" in their consumer choice (Kaufmann, Ali Khan Panni & Orphanidu, 2012).

Age is a factor whose impact on sustainable consumption can be interpreted unambiguously. Some authors point out that "sophistication" is inherent in younger generations (Barksdale & Darden, 1972), while others identify older adults as "sophisticated" (Vitell, Lumpkin & Rawwas, 1991), for instance, Harris, Burrell, & Eicher (2000) describe the "sophisticated" customers as "white women at a younger age", thus adding one more factor to the already commented demographic factors – namely race. Taking account of the regional location of this study in Bulgaria, it is important to emphasize that "race" remains beyond the scope of the research toolbox and is mentioned only in terms of a more comprehensive theoretical framework.

Education is another factor with an undoubtedly essential impact on sophisticated customer profile. In the early 70s of 20th century, the concept of sustainable development was in the initial stage of establishing. Even then, the importance of education in the formation of consumer purchasing decisions (Hustad & Pessemier, 1973) was discussed. Years later,

³ Corporate Social Responsibility (CSR) can generally be defined as a strategy for achieving "sustainable development". It is widely accepted in the scientific community that the long-term survival and success of business organizations requires them to assume responsibility for the impact of their activities on all of their interested parties, which is precisely their social responsibility. Accumulating the effects of such behavior from all business units enables the achievement and keeping sustainable development of the entire economic system.

Mohr, Webb & Harris (2001) confirmed that the high level of education is the basis of "sustainable consumption". Furthermore, intelligent growth established itself as one of the leading priorities for modern companies. Thus, education is regarded as one of the main pillars of sustainability, and in this sense, it is an inherent characteristic of "sophisticated" customers.

In addition to a high level of education, "sophisticated" customers are also supposed to have a high level of income. The results of a survey on the role of income in „green” consumer behavior (Junaedi, 2012) prove that good education is at the core of "sophisticated" user behavior. However, it can be realized only in the presence of high income. To a large extent, this is explained by the fact that the predominant part of the sustainably produced items (as well as of the environmentally friendly produced ones) has a higher market price.

It should be mentioned that there are authors who pay attention to the feedback, indicating that income levels determine the importance of CSR among all factors, which have an influence on the decision to purchase. Only customers with stable financial status demonstrate an interest in the commitment of companies to CSR and reflect the importance of "sustainability" in their consumer decisions (Öberseder, Schlegelmilch & Gruber, 2011).

According to a research, another factor that influences the customers' "sophistication" is religiosity. Research results confirm that religious customers attach greater importance to the ethical aspect of the behavior of business organizations (Ramasamy, Yeung & Au, 2010) and have a more pronounced demand for "sustainable" consumption.

According to some studies, the political orientation of the customers also has an effect on "sophistication". Customers with left-wing political orientation are believed to be more positive about companies' engagement with CSR (Mueller & Theuvsen, 2014). This dependence has its logical conditionality. In the political context, the "left-wing" reflects the protection of the interests of all social groups. This largely corresponds to one of the widely accepted understandings of the nature of CSR as a form of corporate behavior where the companies perform their economic, legal, ethical and philanthropic responsibilities towards all their interested parties.

The commented formulations give reason to summarize that "sophisticated" customers correspond to a particular socio-demographic profile. However, this profile may be formed by factors of varying configuration and intensity. Therefore, even in a segment of customers who more or less have the characteristics of "sophistication" and/or identify themselves as "sophisticated", variations in appearance of the commented socio-demographic factors can lead to a situation of a "gap between consciousness and behavior" in the practical realization of the concept of "sophistication". This consideration has been taken into account in the design and implementation of the research toolbox in this study.

The afore-mentioned gives a reason to conclude that the verification of the hypothesis of an existing segment of sophisticated customers in a specific branch of the Bulgarian economy is also of scientific interest. What is more, the verification of this hypothesis gives grounds for concluding the applicability of trends in consumer behavior on a global scale in the context of the Bulgarian market environment. In this regard, the concept of consumer

sophistication is seen as one of the leading global trends in consumer behavior for 2019 (EUROMONITOR INTERNATIONAL – Top 10 Global consumer trends 2019).

Therefore, *the main goal of the article* is to design a research, to assemble, process and analyze data and to present and comment the results of the customer base profiling process in a selected business branch in Bulgaria and thus to determine whether a segment of "sophisticated" customers can be identified. The subject of the study are the consumers of carbonated soft drinks in Bulgaria. The choice of subject is determined by the following reasons: (1) According to data of the National Statistical Institute in Bulgaria, there is a steady trend of growth in the consumption of carbonated soft drinks per person in a household – from 50.9 liters in 2010 to 65.3 liters in 2017. These data give reason for assuming that in this market, conditions for developing consumer loyalty exist (i.e. repeated repurchase of certain brands and high probability of making recommendations). (2) The leader in market of carbonated soft drinks in Bulgaria with a market share of almost 50% (Coca-Cola) is among the companies that are the benchmark for socially responsible behavior worldwide. (3) The producers of carbonated soft drinks materialize CSR and make the effects of the use of this concept visible to the end-user by producing high-quality products, using recyclable, recycled and/or biodegradable packaging; engaging in social causes that are relevant to society and environment, charity events and care for the communities. Considering the chosen object of research, the concept of consumer "sophistication" is interpreted only in an „off-line environment”, without taking into consideration the digital influences on the behavior of sophisticated customers.

3. Research methodology

The fulfillment of the formulated goal requires the implementation of a procedure for profiling the consumers of the carbonated soft drinks market in Bulgaria. User profiling aims to "shed light" on the following research issues: 1) Is it possible to define a segment of "sophisticated customers"? 2) What are its characteristics? The answer to these questions may direct the study to the question of what part of the market this segment constitutes. Having a sufficient number of "sophisticated customers" is an argument for appropriateness and profitability of investments aimed at developing the potential of the segment. Furthermore, this allows one to make relevant conclusions regarding the applicability of the concept of "consumer sophistication" in Bulgaria.

While designing this study, the user profiling process was done in three steps:

First. The respondents are distinguished by six socio-demographic criteria that theory establishes as determining consumer "sophistication".

Second. Additionally, information about the level of respondents' compliance with additional 10 criteria is collected and processed which the theory acknowledges as characteristics and consequences of consumer "sophistication".

Third. At the final stage of profiling, surveyed consumers of carbonated soft drinks are grouped into clusters according to the degree of their "sophistication" and the level of their

yield. This is essential in planning and implementing effective strategies of customer relationship management.

Data collecting was conducted by using survey forms. The end customers were approached through an online research platform where an electronic version of the survey was created. After a positive answer to a filtering question: "Do you consume carbonated soft drinks?" the sample consists of 276 respondents. In this sense, the results of the study are relevant for the aggregation.

The survey was designed in 5 blocks, covering issues related to: (1) consumer profile; (2) consumer choice factors when buying carbonated soft drinks; (3) the general understanding of the nature of CSR; (4) consumer loyalty and (5) consumer assessment of the CSR impact on consumer loyalty.

For the purposes of this study, which focuses on determining the relevance of the concept of "consumer sophistication" in Bulgaria, only data generated by block 1 and block 4 were used.

The statistical processing of the collected primary information was carried out with software products MS Excel 2007 and SPSS 17.0. The data from the empirical study were processed by a combination of statistical methods, including – descriptive, correlation, regression, and χ^2 -analysis. Conclusions and summaries were formulated and presented using charts.

Convergence and criteria validation tests were conducted, which help to draw conclusions about the inclusion of various operational variables in the general „consumer sophistication” construct. The relative importance of the operative variables was determined by standardized β -coefficients.

A SMF-method was applied in the final stage of the user profiling process. The name SMF derives from the combination of terms "Sophistication" (S), "Money" (M) and "Frequency" (F). Through the application of this method, users of soft drinks can be further grouped based on: (1) the level of their "sophistication" (S); (2) the money they spend on purchasing such type of products (M) and (3) the frequency of purchases (F). Each of the elements of the SMF-method is characterized by 5 dimensions, which are respectively coded with numbers 1 through 5 as follows: *Sophistication*: "I can identify myself as a" sophisticated" consumer (with options: "definitely no" , "Rather no", "I cannot identify myself", "rather yes", "definitely yes"); *Money*: "I spend ... on purchase of carbonated soft drinks monthly" (options: "up to BGN 3", "from BGN 3.01 to BGN 9", "from BGN 9.01 to BGN 12", „from BGN 12.01 to BGN 25”, „over BGN 25“); *Frequency*: „I buy carbonated soft drinks" (options: „once a month“, „2-3 times a month“, „once a week“, „2-3 times a week“, „every day“).

For each of the described metrics (SMF), there is a corresponding question within each questionnaire, whose answers are ranged in the same way. This allows each consumer of carbonated soft drinks that took part in the study, to be labeled with an individual code after processing of the collected information. Individual consumer codes serve as a criterion for shaping clusters.

4. Survey Findings and Discussion

The consumers' perception of the level of their „sophistication” is interesting. The question „Generally, compared to other users, do you think you have the characteristics of a „sophisticated customer?” is measured by a 5-point scale (from 1 – „definitely no“ to 5 – „definitely yes”). It was explained what the characteristics of the „sophisticated” customer include: a highly ethical consciousness; ethical consumer behavior; education, awareness, experience, competence; concern for society and the environment; a high degree of personal self-assessment and self-esteem; high level of satisfaction. A surprisingly high relative share (74%) of the participants in the study identified themselves as „rather sophisticated“ (58%) and „definitely sophisticated“ (16%). The magnitude of the average score for the scale is of 3.73 and is positioned in the positive part of the scale. Only 13% of respondents gave a negative answer and the same relative share of the answers were given by those persons who find it difficult to give an unconditional answer. Provided that such a high percentage of individuals included of the study identify themselves as „sophisticated”, it is interesting whether their profile „overlaps” the profile established in other studies.

The 3-step methodology of consumer profiling in the selected market begins with a description of the percentage distribution of the sample of 276 respondents based on 6 basic socio-demographic criteria, established by the theory as determining consumer „sophistication” (Table 1). The summarized results, presented in Table 1, show that the majority of respondents included in the study: are 18-45 years old, have completed secondary education, have personal average monthly income between BGN 511 and BGN 1000; are religious and centrist politically oriented.

The profile shaped substantially differs from the profile which theory suggests as inherent to the „sophisticated user” and namely: (1) women; (2) at a younger or more advanced age (there is a lack of consensus in the scientific community); (3) with a high level of education; (4) with a high level of disposable income; (5) religious and (6) with left-wing political orientation.

Of course, a possible reason for this may be the profile of respondents included in the sample. On the other hand, one cannot underestimate the fact that even within the sample, a profile of respondents is formed which, based on the criteria „education”, „income”, „religious” and „political orientation”, is significantly different from the typical „sophisticated” customer profile.

The high percentage of „sophisticated” customers (74%) can be regarded as a natural result of the relatively high level of relevance that consumers find in the statements presented in Table 2. These statements are assessed on a 5-point scale (from 1 – „entirely not relevant“ to 5 – „fully relevant“). They describe the characteristics and the consequences of „consumer sophistication”. The estimates of the degree of relevance of these statements to the respondents serve as criteria for the profiling of the latter.

Table 1

Socio-demographic profiling of the participants in the study

CUSTOMER PROFILE		
Criteria	Meaning of Criterion	Distribution of respondents (%)
Gender	Male	47.0
	Female	53.0
Age	Up to 18 years	1.0
	18-30 years	35.0
	31-45 years	35.0
	46-60 years	28.0
	Over 60 years	1.0
Education	None	1.0
	Primary education	6.0
	Secondary education	48.0
	Vocational training after secondary education (but not higher)	12.0
	Higher education – Bachelor, Master, Doctor etc.	33.0
Personal average monthly income	Up to BGN 510	17.0
	BGN 511 – BGN 1000	41.0
	BGN 1001 – BGN 1500	24.0
	BGN 1501 – BGN 2000	12.0
	Over BGN 2000	6.0
Religiosity	Religious	54.0
	Not religious	46.0
Political orientation	Hard left	8.0
	Left-centered	9.0
	Centered	44.0
	Right-centered	28.0
	Hard right	11.0

Table 2

Characteristics and consequences of consumer „sophistication” (%)

Statement	1	2	3	4	5	Mean
	1 – entirely not relevant 5 – fully relevant					
1. I have a high degree of ethical consciousness.	6	11	16	32	35	3.78
2. To a high degree, I have an ethical user behavior.	6	13	22	33	27	3.63
3. I belong to consumers who are constantly looking for information about products / brands and in particular about carbonated soft drinks.	10	16	30	27	17	3.24
4. I believe that I am well informed and aware of the market of carbonated soft drinks, which allows me to make reasoned consumer decisions.	6	16	28	28	22	3.43
5. I have vast experience because I have tried different brands of carbonated soft drinks.	8	14	23	30	25	3.50
6. I tend to try new carbonated soft drinks available on the market.	7	19	25	25	25	3.42
7. I belong to the consumers for whom price, quality and the effect of the product's consumption on people and the environment are equally important.	5	11	21	29	34	3.75
8. I have a high self-assessment	4	15	29	30	22	3.50
9. I have a high self-respect	4	12	31	30	23	3.55
10. I usually experience a high level of satisfaction with the purchases I make.	3	13	25	38	20	3.59

The data in Table 2 show that the mean scores for all statements ranged between 3.24 and 3.78. The positioning of the mean scores in the positive part of the 5-point scale means that in general, consumers of carbonated soft drinks in Bulgaria perceive themselves as people who: have a highly ethical consciousness; exhibit ethical consumer behavior to a high degree; are constantly searching for and updating information about the products they buy and use, and thus are able to make informed consumer decisions; have experience; are competent; tend to try new products in the market; are concerned about the effects which their use / consumption has on society and the environment; have a high self-assessment, a high degree of self-respect, and a high level of consumer satisfaction.

These characteristics complete the impression of the „sophisticated” customer profile. Moreover, the results from the tests of the convergence and criterion validity of the operational variables block confirm the relevance of each of the 10 statements in forming the overall idea about the essence of the „sophisticated” customer. The regression analysis gives a deterministic capacity of approximately 76% ($R^2 = 0.757$, $\alpha = 0.000$), indicating that the operational variables sufficiently well describe the studied construct (“consumer sophistication”).

The most significant weight for the formation of consumer sophistication are the following variables: (1) „degree of ethical consciousness”; (2) „ethical consumer behavior”; (5) „vast consumer experience”; (6) „tendency for tasting new products“ and (10) ”level of satisfaction from purchases“ (the standardized β -coefficients are respectively: variable No. 1 (0,535); variable No. 2 (0,279); variable No. 5 (0,127), variable No. 6 (-, 109) and variable No. 10 (0.158).

The repeated regression analysis with eliminating the components, which are non-essential for forming a self-assessment of „sophistication”, confirm the strong deterministic capacity ($R^2 = 0,753$, $\alpha = 0,000$) of these five statements (respectively No. 1, No. 2, No. 5, No. 6, and No. 10). Table 3 presents the extent of their significance in percentages.

Table 3

Significance of the variables describing the characteristics and consequences of the „sophistication” in forming the self-assessment of the respondents

Variables	β -coefficients	Weight in % in forming consumer „sophistication”
(1) Degree of ethical consciousness	0.528	45
(2) Demonstration of ethical consumer behavior	0.268	23
(5) Vast user experience	0.126	11
(6) Tendency to try new products	-, 114	10
(10) Satisfaction from purchases	0.132	11

Based on the data presented, it can be concluded that consumer „sophistication” is predominantly determined by the degree of ethical consciousness (45%) and the degree of ethical consumer behavior (23%). This distribution somehow suggests that there may be a „gap between consciousness and behavior.” Very often ethical consciousness has no practical projection in real behavioral actions, which raises the question of whether consumer „sophistication” is an objectively existing form of consumer behavior or exists

but rather has characteristics of a latent construct. As a latent construct, it cannot be monitored and measured directly, but only by means of multiple variables.

The commented data show that regarding the ethical consumer consciousness and ethical consumer behavior as determinants of „sophistication” (in its entirety) is an important aspect of the process of profiling of consumers of soft drinks in Bulgaria. However, at the same time, the question whether respondents, who have declared ethical consciousness and behavior, possess characteristics similar to the profile of „sophisticated consumers”, described in other studies, must be answered.

The data in Table 2 show that 67% of respondents perceive themselves as people with high ethical consciousness; 60% state that they also exhibit a high degree of ethical consumer behavior. Despite the high percentages, the juxtaposition of these two criteria to the six socio-demographic characteristics which theory describes as inherent for the „sophisticated” consumer shows that of only two all 276 respondents correspond to the perfect profile of „sophisticated” customer (a woman, irrespective of age, highly educated, with high income, religious, left-wing politically oriented, high ethical consciousness and highly ethical behavior). Based on this, two conclusions can be formulated:

First. There is a significant socio-demographic discrepancy between the profile of respondents, participating in the study, and the theoretically defined profile of the typical „sophisticated” consumer.

Second. The said respondents form a high percentage of consumers who assessed themselves as „sophisticated” and have both high ethical consciousness and highly ethical consumer behavior.

The established contradiction raises the question if the theoretically justified relationship between the socio-demographic characteristics of consumers and the level of their „sophistication” exist indeed. χ^2 -analysis was used to check this hypothesis. The respective χ^2 and Cramer coefficients are indicative and aim to confirm/deny the existence of a statistically significant relationship between the studied constructs (Table 4).

The results, summarized in Table 4, show that there is no statistically significant relationship between age, income level, religiosity and political orientation on the one hand, and ethical consciousness, ethical consumer behavior and consumer „sophistication” on the other hand. The tests indicate that, to a certain extent, the latter is predetermined by gender and educational level, but the found relationship is of low magnitude.

On the basis of the data presented, it can be summarized that in the market of carbonated soft drinks in Bulgaria, there is a segment of „sophisticated” consumers who have ethical consciousness and behavior but do not meet the socio-demographic criteria of „sophistication” which have been described as determinants of this form of consumer behavior by studies, conducted in other countries.

Table 4
Testing the relationship between socio-demographic factors and consumer „sophistication”

Determinants of consumers' „sophistication”	Consumer „sophistication”	Presence/lack of relationship <i>Pearson Chi-Square</i> <i>Asymp. Sig (2-sided)</i>	Strength of relationship Cramer's V
Gender	Ethical consciousness	Presence of relationship Chi-Square = 0.004	Weak relationship Cramer's V = 0.236
	Ethical behavior	Presence of relationship Chi-Square = 0.001	Weak relationship Cramer's V = 0.260
	Self-assessment about „sophistication”	Presence of relationship Chi-Square = 0.001	Weak relationship Cramer's V = 0.253
Age	Ethical consciousness	Presence of relationship Chi-Square = 0.022	Weak relationship Cramer's V = 0.163
	Ethical behavior	No relationship Chi-Square = 0.079	-
	Self-assessment about „sophistication”	No relationship Chi-Square = 0.521	-
Education	Ethical consciousness	Presence of relationship Chi-Square = 0.000	Weak relationship Cramer's V = 0.252
	Ethical behavior	Presence of relationship Chi-Square = 0.000	Weak relationship Cramer's V = 0.223
	Self-assessment about „sophistication”	Presence of relationship Chi-Square = 0.001	Weak relationship Cramer's V = 0.193
Personal average monthly income	Ethical consciousness	No relationship Chi-Square = 0.552	-
	Ethical behavior	No relationship Chi-Square = 0.341	-
	Self-assessment about „sophistication”	No relationship Chi-Square = 0.740	-
Religiosity	Ethical consciousness	No relationship Chi-Square = 0.958	-
	Ethical behavior	No relationship Chi-Square = 0.937	-
	Self-assessment about „sophistication”	No relationship Chi-Square = 0.919	-
Political orientation	Ethical consciousness	No relationship Chi-Square = 0.094	-
	Ethical behavior	No relationship Chi-Square = 0.088	-
	Self-assessment about „sophistication”	No relationship Chi-Square = 0.074	-

The final step in the profiling of consumers of carbonated soft drinks in Bulgaria is connected to their differentiation in clusters according to the level of their „sophistication” and income. It is essential for companies for two main reasons: (1) it creates prerequisites for optimizing customer portfolio because the management of customer relationships is mostly aimed to the most valuable and the most profit-generation ones for the company; (2) it makes financial planning more efficient. The ever-increasing implementation of the

concept of „sustainable development” requires companies to invest in the sphere of CSR. These investments must be secured with a sufficiently high level of return, so the companies are not placed in a paradoxical situation – to be blamed as irresponsible because of failure to fulfill their economic responsibility

A SMF method, described in the Methodology section, is proposed for determination of clusters. The individual consumer codes serve as a criterion for shaping clusters. The latter are presented in Table 5, and there is information about the distribution of consumers in these clusters based on their individual encoding.

Table 5

Consumer clusters (SMF-method)

No.	Consumer Clusters (based on SMF parameters)	Number of consumers with individual coding corresponding to the cluster’s coding	Distribution in %
1	Customers with code 555 for all three parameters	5	2
2	Customers with 5 or 4 in the first position of the code and a combination of following positions in the range 4-5	65	24
3	Customers with 5 or 4 in the first position of the code, a combination of following positions in the range 1-3 and 3 in the last position	71	26
4	Customers with 5 or 4 in the first position of the code, a combination of following positions in the range 1-3 and 2 in the last position	44	16
5	Customers with 5 or 4 in the first position of the code, a combination of following positions in the range 1-3 and 1 in the last position	18	6
6	Customers with 3 in the first position of the code regardless of a subsequent combination of positions	36	13
7	Customers with 1 or 2 in the first position of the code and a combination of following positions in the range 3-5	29	10
8	Customers with 1 or 2 in the first position of the code and a combination of following positions in the range 1-2	8	3

A total amount of 8 clusters were formed. Cluster No. 1 includes only those consumers who correspond to the encoding 555. These are the most desirable and valuable to producers/ bottlers of carbonated soft drinks customers, as they identify themselves as „sophisticated” and make daily purchases of great value. This cluster includes the lowest number of consumers – only 2%.

The distribution of the respondents in the next four clusters (from 2nd to 5th including) is interesting. These comprise consumers who express a positive opinion about the level of their „sophistication”. The differentiation among them results from differences in their consumer behavior. Cluster No. 2 (24%) includes „sophisticated” customers that regularly (2-3 times per week) make purchases of high value, but not necessarily of the maximal said value. Cluster No. 3 (26%) also covers users who identify themselves as „sophisticated”, but their frequency of purchase is lower (once a week), the amount of cash spent for carbonated soft drinks is smaller. Cluster No. 4 (16%) and No. 5 (6%) are similar. The difference is in the significantly lower frequency of purchases – 2-3 times per month for cluster No. 4; once per month for Cluster No. 5. This is an indication for the objective existence of the so-called „gap between consciousness and behavior”, or in other words, the customers have high ethical consciousness, but in it is not reflected into real behavioral actions. It is possible to allow another interpretation of the data: consumers who identify themselves as „sophisticated” are seeking to consume products that have the most limited negative effect, including on their health; this suggests that a truly „sophisticated” consumer does not actually consume carbonated soft drinks or consumes such, but in a very limited amount and mostly in exceptional cases. In this sense, it is logical that the frequency of purchases is extremely low. In view of the concept of managing customer relationships, the profiles of these consumer segments are not attractive, as they do not generate the desired cash flow. In this case, companies should implement strategies to stimulate demand by offering products with a healthier profile (products with reduced calorie content, without sugar or with natural sweeteners, etc.). This is an opportunity to transform non-profitable „sophisticated” customers into profitable ones or reduce the percentages of clusters No. 4 and No. 5 on account of increasing No.1, No. 2 and No. 3.

Cluster No. 6 comprises consumers who cannot be attributed to the group of „sophisticated” consumers but not definitely differentiate themselves from this group. This cluster is of interest to the study only in terms of its size, which in this case has no worryingly high value (13%).

The final two clusters – No. 7 and No. 8 comprise customers who do not identify themselves as „sophisticated”. They are differentiated into two groups: „non-sophisticated” customers, who often buy large amounts (cluster No. 7 – 10%) and „non-sophisticated” customers who buy rarely and are unwilling to spend a large amount on carbonated soft drinks (3%). Interesting for the study is cluster No. 7, because of the potentially high income of the consumers it comprises. The comparison of the percentage distribution of the 8 clusters shows that the ratio of „profitable/non-profitable“ customers is in favor of „sophisticated” consumers – clusters No. 1, No. 2 and No. 3, which cover a little over 50% of all respondents. This means that the segment of „sophisticated” consumers has a higher income than the rest of the segments. Moreover, with appropriate strategies in the process of customer relationship management, the profitability of consumers from cluster No. 4 and 5, which comprise 22% of the market, can be increased by stimulating the frequency of their purchases and increasing the amount of money spent on each purchase.

5. Conclusions

On the grounds of the information provided by the empirical study, it can be concluded that in the market of carbonated soft drinks in Bulgaria the concept of consumer „sophistication” is realized. The implemented 3-step procedure for profiling of consumers in this market shows that there are segments, composed of a significant percentage of consumers, who identify themselves as „sophisticated”. They are characterized by a strong ethical consciousness together with a high degree of ethical consumer behavior. However, the idea that these users meet certain socio-demographic characteristics, inherent in the „sophistication” according to the statements in the foreign scientific literature, were disproved.

It is interesting to note that the segment of „sophisticated” consumers bears the distinctive characteristics of a subculture that is gaining more and more popularity in society – the so-called „Hipsters.” These are people who: are between 18 and 45 years old; belong to the so-called „middle class”; have a good education, good income, active citizen position, predominantly left political orientation. The theoretical overview of the subject shows that exactly these socio-demographic characteristics describe the profile of „sophisticated” customers, which gives reasons to attribute „hipsters” to this segment. This means that for companies, these consumers should have priority in managing customer relationships and market offers should be tailored to their demands.

An additional argument supporting the latter is the result of the last, third step of the implemented procedure of consumer profiling. It shows that „sophisticated” customers account for the more profitable part of the market for carbonated soft drinks which motivated companies to seek effective management of relationships with this particular segment. Moreover, the increasing popularity of the concept of „sustainable development” gives a reason with a high degree of certainty to claim that the applicability of the concept of consumer „sophistication” will also grow, or in other words, the segment of consumers identifying themselves as „sophisticated” and exhibit behavior corresponding to that profile will grow sustainably.

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