

# Report from Sociological Survey within the Project: “Law and Economics of the Illegal Trade of Tobacco Products in Bulgaria”

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## I. Characteristics of the research

In the period March-April 2018 Alfa Research conducted a nationwide representative research of 5200 people who smoke tobacco products in the country, with focus samples from 15 additional cities – 9 small ones with population of up to 120 000 people, and 5 big ones with population of over 120 000 people, as well as the capital city.

The research is part of the project “Law and economics of the illegal trade in Bulgaria” of the Institute for Market Economics.

Smokers were recruited by two main characteristics: they have to be self-described smokers and have to smoke more than two or three cigarettes – whether factory made or hand-rolled – per day.



<b>Scope</b>	 <b>onal representation for the country</b>  <b>15 cities throughout the country</b>
Target group	Adults (tobacco and hand-rolled cigarette smokers)
Method of registration	Standard face to face interview
Duration of the research	20 March – 20 April 2018
Size	5200 interviews (1500 countrywide, 3700 in the 15 cities)

### 1. Aims of the research:

The main goal of the research within the scope of the project is to establish the volume of the illegal trade of tobacco products for the whole country and for the selected cities. It was conducted using the methodology of the presented box/package.

In addition, the research aims at establishing the habits and attitudes of smokers, the risk factors, which could threaten the legal market of tobacco products in the country, and the impact of the government policies targeting the reduction of smoking.

## 2. Methodology of the registration of the volume of illegal tobacco products:

The respondents were asked to show the interviewers the boxes or packages of cigarettes which they were carrying at the time of the interview. Those containers are characterized by several main indicators, which show whether the box/package is designed for the local market or not. If the interviewee refused to present his box/package, he was asked to describe it using the following indicators:

- Brand of the cigarettes/tobacco
- Presence of excise stamp
- Language on the excise stamp
- Presence of warning inscriptions and images
- Language of the warning inscriptions and images
- Price of the box of cigarettes or the tobacco package
- Weight of the tobacco in the package

## II. Analysis of the results from the research

### 1. The market of tobacco products in Bulgaria – features and profile of the smokers

#### 1.1 The market of tobacco products – total size and common characteristics

**Share of smokers in Bulgaria, market size:**As of March 2018 the share of smokers among the adult population in the country is approximately 39% or between 2 200 000 – 2 300 000 people. This interval comes as a result of the lack of exact data about the number of adult people who are living in the country. Meanwhile 19% of the population has quit smoking. Average number of cigarettes smoked per day comes at 16. This means that 36 800 000 cigarettes – whether factory made or hand-rolled – are smoked in the country daily, while the total yearly consumption is 13.5 bln. cigarettes.

Almost the whole market consists of factory made cigarettes – 96.2% of smokers, or 2 200 000 people, consume such as the predominant tobacco product. Significantly less people roll cigarettes by hand – 3.8% of all smokers or around 87 000 people. As an additional product the tobacco for handmade cigarettes is consumed by 3.3% of those, who smoke factory produced cigarettes. In this way the total share of smokers, who prepare cigarettes by hand, comes at about 7% or 161 000 people.

A small discrepancy in the daily consumption of factory made versus hand-rolled cigarettes was found by the research – 16 factory made cigarettes are smoked on average as compared to 14 hand-made ones by the people, who smoke tobacco as main or additional smoking product.

The total consumption of factory made cigarettes daily for the whole country comes at about 35 400 000, or 12.9 bln. cigarettes per year.

All tobacco smokers (161 000 people) smoke 2 250 000 cigarettes daily or 822 700 000 cigarettes yearly. If we accept 0.75 grams as a standard weight of a cigarette, the total consumption of tobacco in the country comes at a little over 600 tons per year.

It should be pointed that the research registers the consumption of tobacco products only amongst adult smokers. Meanwhile people below the age of 18 years also consume such products and the same can be said for the tourists (whose total number reach 8 million people in 2017). They are excluded from the calculations of the market size.

## Total size and characteristics of the tobacco products market

Share of smokers	Share	Number
Smokers in the country	39%	~ 2 300 000
Smokers of factory made cigarettes	96,2%	~2 200 000
Smokers of tobacco as predominant ingredient	3,8%	~87 000
Total smokers of tobacco – predominant + supplementary ingredient	7%	~ 161 000



Volume of tobacco products	Average per day	Total per day	Total per year
Number of factory made cigarettes	16	~35 400 000	~12,9 <u>bln</u> pieces
Number of hand-rolled cigarettes	14	~2 250 000	~822,7 <u>bln</u> pieces

Given that the average price of the presented boxes of cigarettes is 5.10 BGN for a box of 20 pieces, the daily turnover from factory made cigarettes in the country can be calculated at 9 027 000 BGN, while the yearly is approximately 3.3 bln. BGN.

Income from tobacco is approximately 46 400 000 BGN per year. It should be pointed that the monthly costs of a smoker, who buys tobacco with excise stamp, are not significantly lower than those of a smoker, who purchases factory made cigarettes (given the daily consumption in both cases is 14 cigarettes weighting 0.75 grams per cigarette) – the average monthly cost for factory made cigarettes comes at 121 BGN, while the cost for tobacco is almost 80 BGN. However, when calculated on an yearly basis, this difference becomes a significant one - a smoker, who hand-rolls his cigarettes, saves almost 500 BGN.

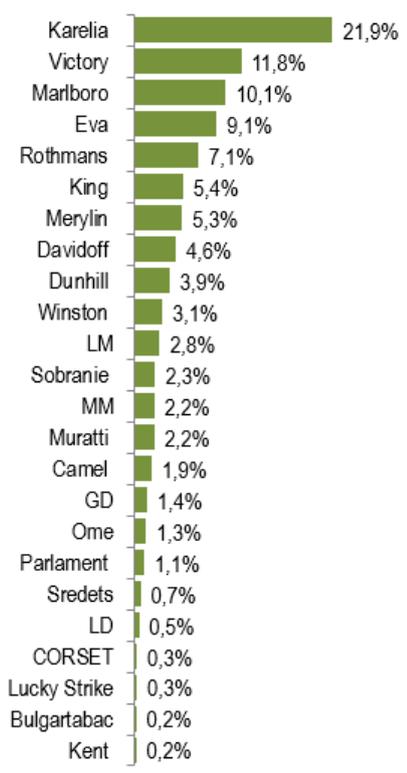
## Income on the market of illegal tobacco products

	<b>Cost of cigarettes</b>		
	Price of an average box of cigarettes	~5,10 BGN	
	Average monthly expenditure per person	~121 BGN	
	Average yearly expenditure per person	~1 450 BGN	
	<b>Cost of tobacco</b>		
	Price of 1000 grams of tobacco	~225 BGN	
	Average monthly expenditure per person	~80 BGN	
	Average yearly expenditure per person	~ 960 BGN	
	<b>Income</b>		
		<b>Daily</b>	
		<b>Yearly</b>	
	Factory made cigarettes	~9 027 000 BGN	<b>~3,3 bln. BGN</b>
	Tobacco	~127 000 BGN	<b>~46 400 000 BGN</b>

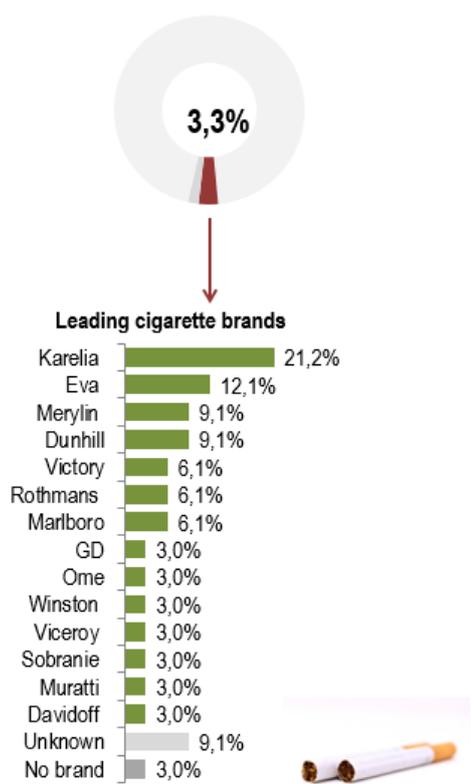
According to the data coming from the boxes/packages revealed in the course of the research, the cigarette market is characterized by significant diversity, with more than 30 registered brands. The most common of them is Karelia, which has a market share of 21%. Among the top five most popular brands are also Victory (11%), Marlboro (10%), Eva (9%), Rothmans (7%). They have almost 50% market share on the market of legal factory produced cigarettes in the country, while the other half is formed by brands with 5% market share and less. The top five brands are in the low to medium price segment, costing between 4.9 and 5.5 BGN per box.

As a whole, the cigarette market is characterized with loyal behavior by the smokers – 95% of them claimed that the box of cigarettes they revealed during the research is the typical brand they consume, while only 3% of the respondents said that the box they presented/described is not the usual brand they smoke. Karelia dominates this tiny minority of smokers, followed by Eva, Dunhill and Marilyn. Although the preferred brands among them vary as compared to the majority of smokers, their share is too low to change the ranking of the most popular brands.

Consumption of cigarette brands, targeted at the local market



Smokers, who consume cigarettes by brand, which is not their usual one



Base: Smokers of industrially made cigarettes

This is a very different situation in comparison to the market of tobacco, where only 1/3 of the packages could be indentified by brand. What is more, the number of identified brands is very low – in practice only three brands were detected during the national research: Karelia (21%), GoldenVirginia (9%), and MacBaren (3%).

### 1.2 Profile of the smokers

The smokers in the country can be characterized with having strong consumer habits regarding the consumption of tobacco products – 94% of them smoke only one type of product, which, as was already pointed out, is factory produced cigarettes. Only 6% of the respondents smoke additional products, which most often (for half of them) is tobacco for hand-made cigarettes. Alternative products, such as electronic cigarettes or tobacco heating products are very poorly spread (between 1 and 2%).

As it was already pointed out, the average daily consumption of factory made cigarettes amounts to 16 pieces, with 52% of the respondents smoking up to 15 cigarettes, while the rest consume 16 and more cigarettes. The most intensive smokers, which consume 20 cigarettes daily, are 8% - predominantly medium-aged men with high income.

Cigarettes form a big share of the total monthly budget for almost half of the smokers. Depending on their income group, the share of the expenditures related to smoking vary significantly – between 10 and 40% of the total income. On average a smoker pays 121 BGN for tobacco products monthly. As it is logical, the higher his income is, the more the share of his budget dedicated to smoking decreases. However, people of low income spend as much as half of their monthly budget for

smoking. This includes predominantly unemployed people and pensioners, persons with low education as well as young individuals who are still studying, especially if they live in smaller towns.

As far as socio-demographic characteristics are concerned, most of the smokers are men (56%) from varying age groups, predominantly with low to medium levels of income (73% of them have monthly income between 250 and 1000 BGN).

Some characteristics of the tobacco smokers differ greatly from the cigarette smokers. The former usually consists of people with significantly lower income levels, most of whom live in smaller towns and villages and are predominantly 50-year old and older men. Around a quarter of tobacco smokers are of Roma ethnicity.

On average people start smoking on 17-18 years, with almost a third of the respondents having started on or below 16 years of age. With age the risk of starting smoking decreases significantly – only 9% have started on or over 26.

## **2. The market for illegal tobacco products – size and general characteristics**

As it was pointed out, for the purposes of finding the illegal boxes/packages was the methodology of description of the containers at hand. Respondents were asked to show the boxes or packages they were carrying. If they refused, they were asked to describe them and the interviewers marked the indicators, according to which the box or package was legal, including the following: its brand, country of origin and presence of excise stamp– Bulgarian or foreign one, presence of warning signs and depictions (including their language), package price, and number of cigarettes in it.

### **2.1. The market for illegal cigarettes – size and characteristics**

Two dimensions of the market for illegal cigarettes were outlined by the research. On the one side, there is the current state of the market, established by the containers shown/described. On the other, there is a broader dimension, which gives an idea about the scope of the illegal market and reveals potential risk groups.

Most of the respondents were willing to show the boxes they were carrying at the time of the research – 87.5% of them did so. Only 12.5% were unwilling to show the box they had with them.

A relatively low share of illegal cigarettes was detected during the course of the research. According to the individual indicators used for describing the boxes, the share of the illegal containers was between 2 and 3%. As a total volume – which means that the box had at least one sign showing that the product was illegal – their share rose to 5.6%.

## Indicators on the market for illegal cigarettes

Illegal market for cigarettes		Share
	Boxes showed	87,5%
	Boxes not showed	12,5%



 Indicators	Share
With foreign/unclear/no banderol	2%
Without warning depictions	1%
Foreign inscriptions with no depictions	1%
Price below 4,7 BGN	3%
<b>Total share of illegal boxes, which have at least one illegal mark</b>	<b>5,60%</b>

- **Current representation and total share of the market for illegal cigarettes**

Given that 96% of smokers (or around 2 200 000 people) consume factory made cigarettes, the momentary cut, registered by the research, suggests that 123 900 smoke illegal products. Given that on average a smoker consumes 16 cigarettes daily, which means that during the course of one month he buys 24 boxes of cigarettes, and that the average price of one box is 3.5 BGN, the monthly revenue from such products amounts to 10 400 000 BGN, making the yearly revenue from illegal products around 125 million BGN.

## Characteristics of the market for illegal cigarettes



Share of the smokers of illegal cigarettes	
Number of smokers	~123 900
Average expenditure per month, given a total consumption of 24 boxes/month and average price per box of 3,5 BGN	~84 BGN

Share of illegal cigarettes	Average per day per person	Average per day on the market	Total size of the market (per year)
Number of factory made cigarettes	16 pieces	~1 982 400 pieces	~723 500 000 pieces

Income	Average per day on the market	Average per month on the market	Total size of the market (per year)
	~347 000 BGN	~10 400 000 BGN	~125 000 000 BGN

During the research the most registered brands of cigarettes having at least one sign of being illegal, were: King, Viceroy, Karelia, Marilyn, LD. The rest of the market is formed by brands, which are distributed legally, as well as by such brands, which are not targeted for the local market, including: Compliment, Bond, Assos, Marble. However, the latter ones have smaller shares.

It should be pointed out that given the last actual cigarette prices in the register of the Bulgarian Excise Centralized Information System there are brands, which are sold on the market for prices below 4.8 BGN. In relation to this, given the new prices of cigarettes, the research includes values of up to 4.7 BGN per box of cigarettes, although prices below this are considered illegal. Price per box of 4.7 BGN is included under the presumption that on the market could still be boxes of cigarettes, selling with the old excise stamps.

Looked through a broader indicator –considering purchases of cigarettes with foreign or no excise stamp during the last two or three years – the share of the illegal market for cigarettes expands to up to 11.7% of all smokers. This picture gives the broader context of the illegal market and serves more as an indicator, showing that these people are part of risk groups, part of which, although not necessarily dedicated consumers of tobacco products, can easily be lured on this part of the market. What is more, considering that the price of illegal products is not constant, it can be assumed that whenever these consumers have the opportunity they buy products, which are not destined for legal consumption.

- **Profile of the consumers of illegal cigarettes**

Smokers of illegal cigarettes inhabit predominantly in the district towns and the villages in the country, where their concentration is above the average for Bulgaria. Even more strongly expressed is the share of men, younger age groups (up to 40 years old) with low and even medium levels of income per family member are also predominant. Members of the Roma ethnic group are significantly above the average for the target group.

Consumer profiles of illegal tobacco products do not differ greatly for the 15 cities in which the research was carried over.

- **Regional Specifics**

As far as the separate regions are concerned, the consumption of illegal cigarettes varies greatly from city to city. High levels of illegal cigarettes were detected in several of the towns, located not very far away from the country's borders. The highest consumption of illegal products was found in Svilengrad (17.4%), Haskovo (13.2%), and Vidin (9.9%). It should be pointed out that in Pleven the share of illegal cigarette boxes is the second highest among all 15 cities (16.6%).

Several cities have consumption of illegal cigarettes around the average level for the country or just a little above it: Sofia (7.1%), Stara Zagora (6.6%), Blagoevgrad (6%), Pazardzhik (6.3%), Sliven (5.6%).

Towns with values below the average for Bulgaria include: Burgas (4.6%), Plovdiv (3.2%), Gabrovo (2.8%), Varna (2.5%), Ruse (2.2%), Kyustendil (3%).

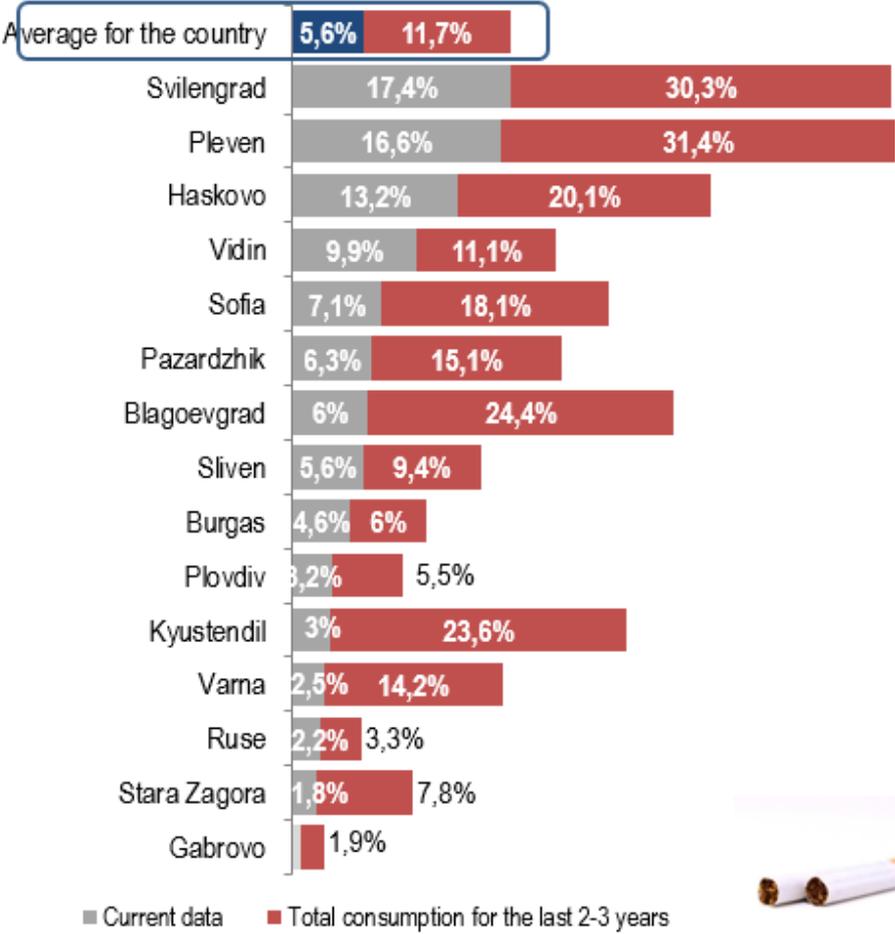
It is notable that there is not direct correlation between the levels of consumption of illegal cigarettes and the attempts the former to be concealed – while in Svilengrad and Haskovo almost half of the people interviewed were unwilling to show the boxes of cigarettes they were carrying, in Pleven and Vidin, where the consumption of such products is above the average for the country as well, the respondents had no such concerns. There is a high probability that in Svilengrad and Haskovo, which as regions located not very far from the border probably have stricter borderline control, the people were more conscious and unwilling to show their boxes directly, even though most of them honestly admitted that they smoked illegal products.

As the quarterly researches of the Initiative “Against the Illegal Trade”, conducted by the leading tobacco companies in the country, have shown, in the last several years a tendency of decreasing illegal trade persists on the market. However, the registered variations in the volumes detected differ greatly from location to location. Such huge amplitudes probably are probably caused by the different periods, in which batches of the corresponding cigarettes were delivered, the strengthening/reduction of the control over their production and distribution, as well as of other situational factors. They affect the current situation more than the general tendencies.

The general picture of the consumption of illegal cigarettes (bought in the last two to three years) on regional level also shows great variations in the shares. In many places the share of people who have acquired illegal cigarettes, when related to a longer period of time, in reality doubles and even triples. Such regions include Svilengrad, Pleven, Blagoevgrad, Kyustendil and others. Meanwhile other cities show relatively similar volumes of consumption both currently and over the years. Among them are: Vidin, Burgas, Plovdiv and Ruse. The

reasons for this doubling and tripling of the share of the illegal market can be traced to the inconsistency of the market itself – whenever illegal products are imported, the smokers benefit from the opportunity to buy cigarettes less expensively.

**Regional specifics: Share of the illegal consumption of factory made cigarettes, by city**



Base: Smokers of industrially made illegal cigarettes

**2.2. The market for illegal tobacco – volume and characteristics**

- **Momentary cut and total volume of the market for illegal tobacco products**

The majority of the tobacco, consumed in the country, is illegal. At present the picture, registered by the research, conducted through the method of presented/described packages of tobacco, shows very high levels of illegal products, which, depending on the concrete indicator used, vary between 57% and 70%. Defining the approximate volumes of illegal tobacco is significantly harder than in the case of cigarettes, since the respondents said that they were buying packages of between 30 and 1000 grams. More often than not they lacked labels, while the prices vary greatly for similar quantities of tobacco. In most cases the respondents did not carry the packages themselves at the time of the interview or refused to show them – this is true in 70% of the cases. Just 30% of the people interviewed showed the package of tobacco they smoke.



A total of 2/3s of tobacco smokers either did not know the brand of tobacco they smoke, or said that it has no brand whatsoever, while in 57% of the interviews the tobacco package lacked excise stamp. Similar is the case in relation to the warning depictions and inscriptions on the packages of tobacco, which is among the signs that a product is legal – 62% of the packages such signs were lacking.

Price differences on the markets for legal and illegal tobacco are huge – considering that the average price per kilogram of tobacco with excise stamp is 225 BGN, the one without excise stamp could be bought for just 40 BGN, which is six times less.

The average price of a package of tobacco shown or described in the course of the research is 15.92 BGN for an average container of 380 grams, or around 40 BGN for 1000 grams. For comparison, 40 grams of legal GoldenVigrinia tobacco is sold for 10 BGN on the market, which means that a kilogram of it costs 250 BGN. The registered difference of pricing categorically confirms the consumption of illegal tobacco by most of the smokers.

Given an average consumption of 14 cigarettes daily (considering that once cigarette contains 0.75 grams of tobacco), a smoker smokes around 300 grams of tobacco per month, which maker almost 4 kilograms per years. If so, the average sum of money, paid by a smoker of illegal tobacco, is between 160 and 200 BGN per year.

With 70% of the people smoking illegal tobacco, the total number of illegal tobacco smokers comes at about 112 000 people, which means that the revenue from illegal tobacco sale comes at around 22 400 000 BGN per year.

<b>Characteristics of the illegal tobacco market</b>		
<b>Share of smokers</b>	<b>Share</b>	<b>Number</b>
Smokers of illegal tobacco	70%	~112 000
↓		
<b>Costs</b>		
 Average price of kilogram of illegal tobacco		40 BGN
Average price for a cigarette of illegal tobacco		0,04 BGN
Average price per 14 illegal cigarettes per day		0,56 BGN
 Yearly expenditures of a smoker of illegal tobacco		~200 BGN
↓		
<b>Consumption</b>		
 Yearly demand of illegal tobacco		22 400 000 BGN



A broader indicator, which suggests the illegal consumption of tobacco for hand-rolled cigarettes – the number of people, who have bought products without excise stamp or with a foreign one in the course of the last two to three years – shows a relatively stable picture on the market for illegal tobacco. According to it the market size was relatively unchanged in comparison to the present volume of the market, since 70% of the people interviewed have bought illegal tobacco in the past few years. A total of 5% of all smokers have bought such.

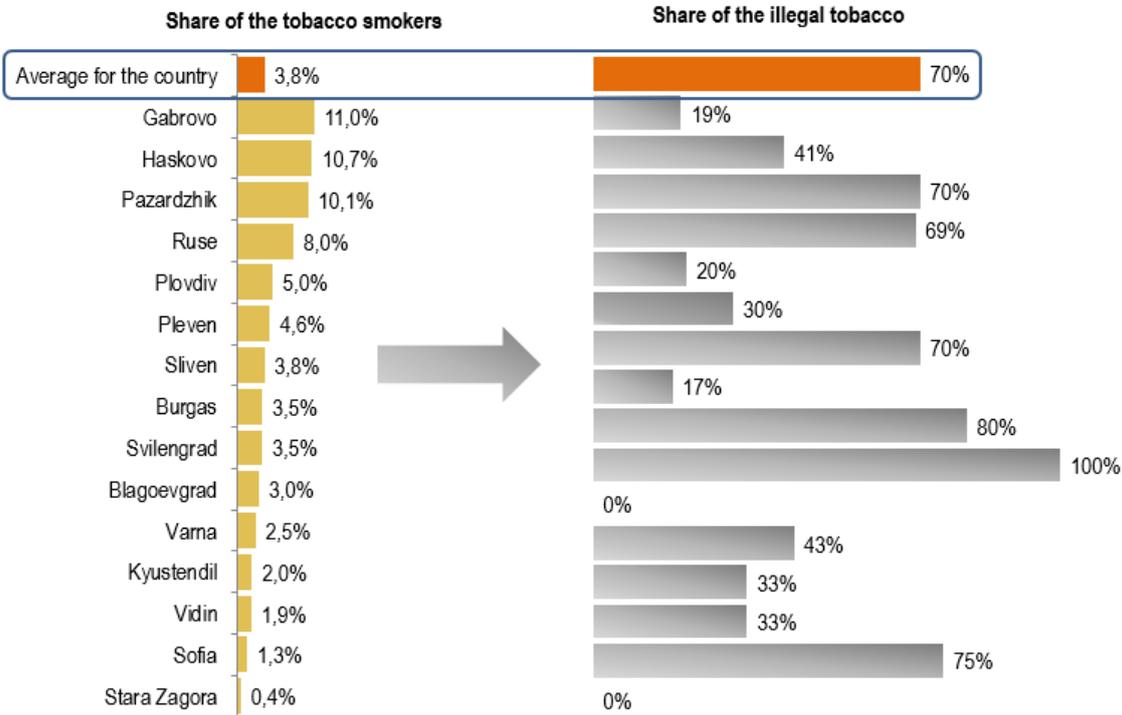
In the small cities and villages the consumption of illegal tobacco for hand-rolled cigarettes is the greatest. There 2/3s of the consumers of such products are men, predominantly elder ones (50 years and older), while the share of people of Roma and Turkish origin is significantly higher than the consumers of legal tobacco.

- Regional specifics on the market for illegal tobacco**

Seven out of 15 focus cities have higher shares of tobacco smokers than the average for the country. The highest shares of smokers of this product can be found in: Haskovo (11%), Gabrovo (11%), Pazardzhik (10%), and Ruse (8%). In Pleven, Plovdiv, Burgas, Sliven, and Svilengrad the share of tobacco smokers is between 3 and 5%, while in Kyustendil, Sofia, Stara Zagora, Vidin, Varna, and Blagoevgrad the share of tobacco smokers is lower than the average.

In almost all cities the share of illegal tobacco consumed is over 50%, while in places like Svilengrad, Pleven, and Pazardzhik it reaches as much as 70 to 100%.

### Consumption of illegal tobacco – regional specifics



Base: Tobacco smokers

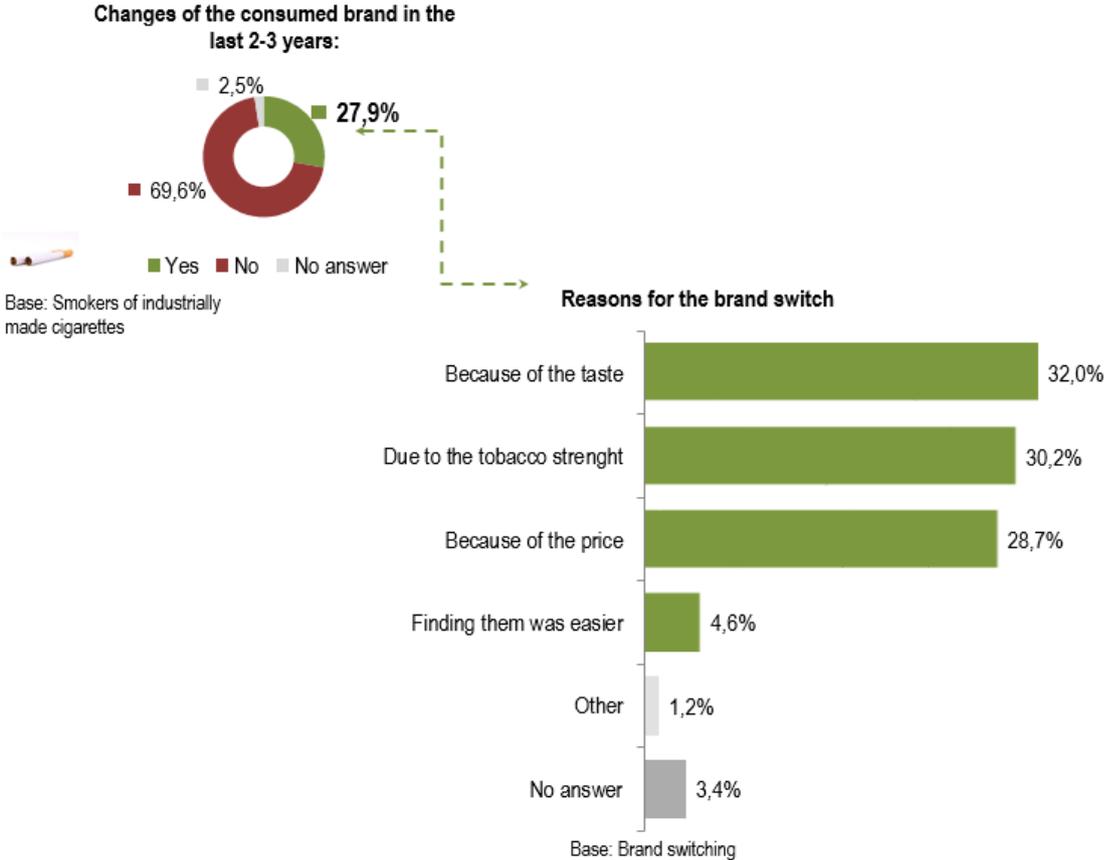
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### 3. Practices of consumption of tobacco products

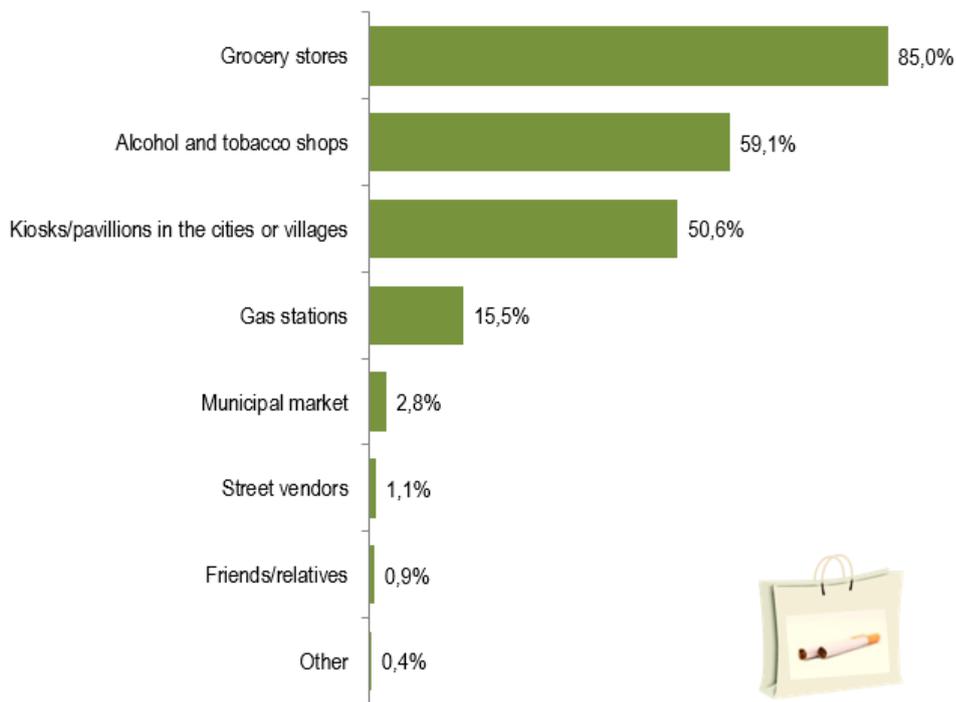
#### 3.1 Practices of consumption of factory produced cigarettes

Most of the smokers are loyal to the brands they buy – 70% of them have not changed their preferred cigarette brand for the past two to three years, while only 28% have done so. There are three reasons for switching to a new brand of cigarettes given by the respondents – because of the taste (32%), the tobacco strength (30%), or the price (29%). This difference between the three leading factors for switching to a new brand is within the boundaries of the statistical error and they could be considered equally important factors for the consumers’ behavior.



The most convenient and preferred locations for buying a box of cigarettes include the grocery stores (85%), from which people acquire household products daily. They are followed by the specialized alcohol and tobacco shops (59%), the kiosks in the city/village (51%), and the gas stations (16%). Market places or institutions, not intended to sell tobacco products, like municipal markets, street vendors, and individuals, have a total share in the sale of factory made cigarettes of around 5%.

Places of purchase of factory made cigarettes



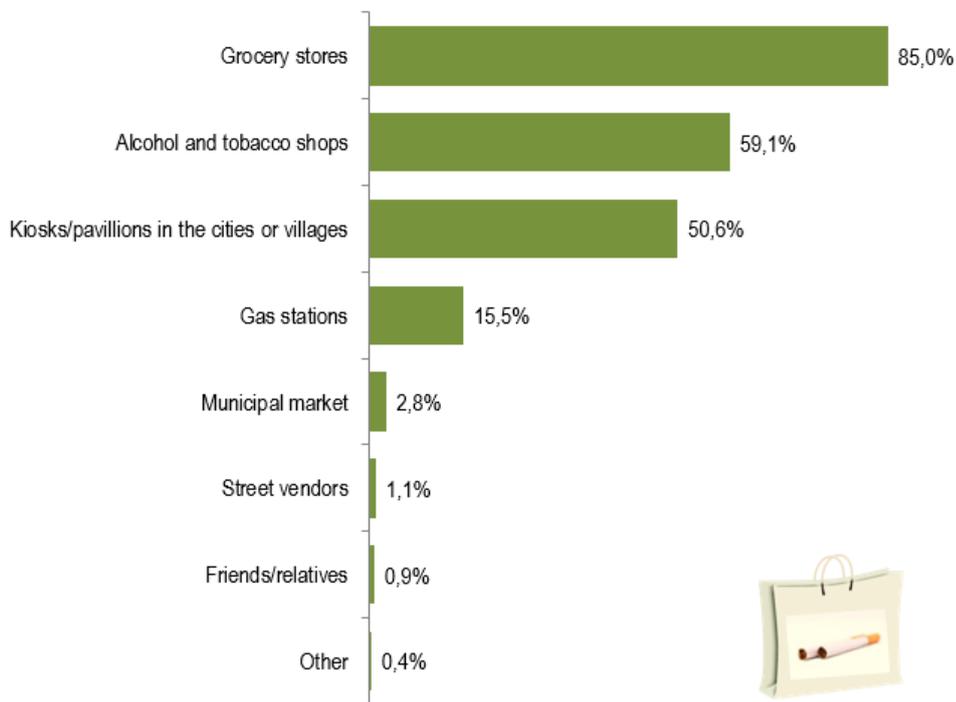
Base: Smokers of industrially made cigarettes

### 3.2 Practices of the consumption of tobacco

People, who predominantly consume tobacco for hand-rolled cigarettes, are distinguished significantly than these, who prefer factory made cigarettes. Most commonly the tobacco is bought by street vendors (36%) or from friends/relatives (34%) – i.e. from places, which are intended to be a legal sellers of this products. 21% of them buy from specialized alcohol and tobacco shops, while 15% - from kiosks. Rarely the tobacco for hand-rolled cigarettes is bought from a municipal market (9%) or from grocery stores (6%). However, unlike the factory made cigarettes, tobacco can be ordered online and even answers like “phone purchase” are noted, which also indicate that this products are not sold and distributed legally.

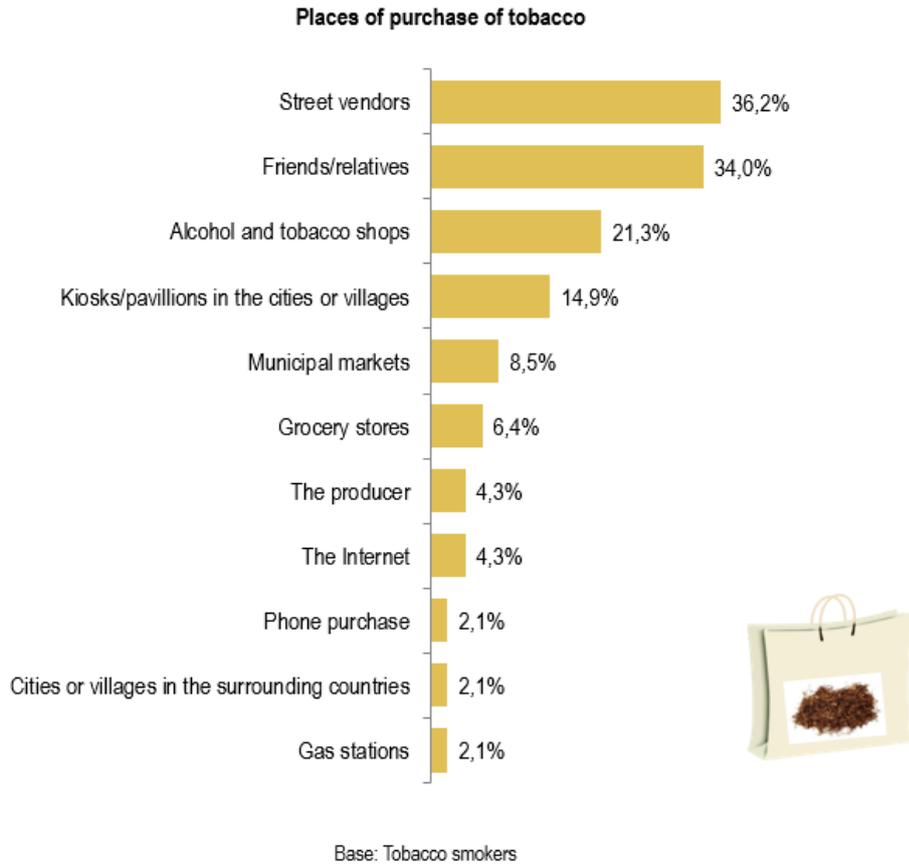


### Places of purchase of factory made cigarettes



Base: Smokers of industrially made cigarettes

People, living in Sofia, use predominantly the services of well-regulated tobacco traders, like alcohol and tobacco shops, kiosks, and municipal markets, while the customers, living in the smaller towns or villages, buy tobacco from street vendors, friends/relatives, and other unregulated sources.



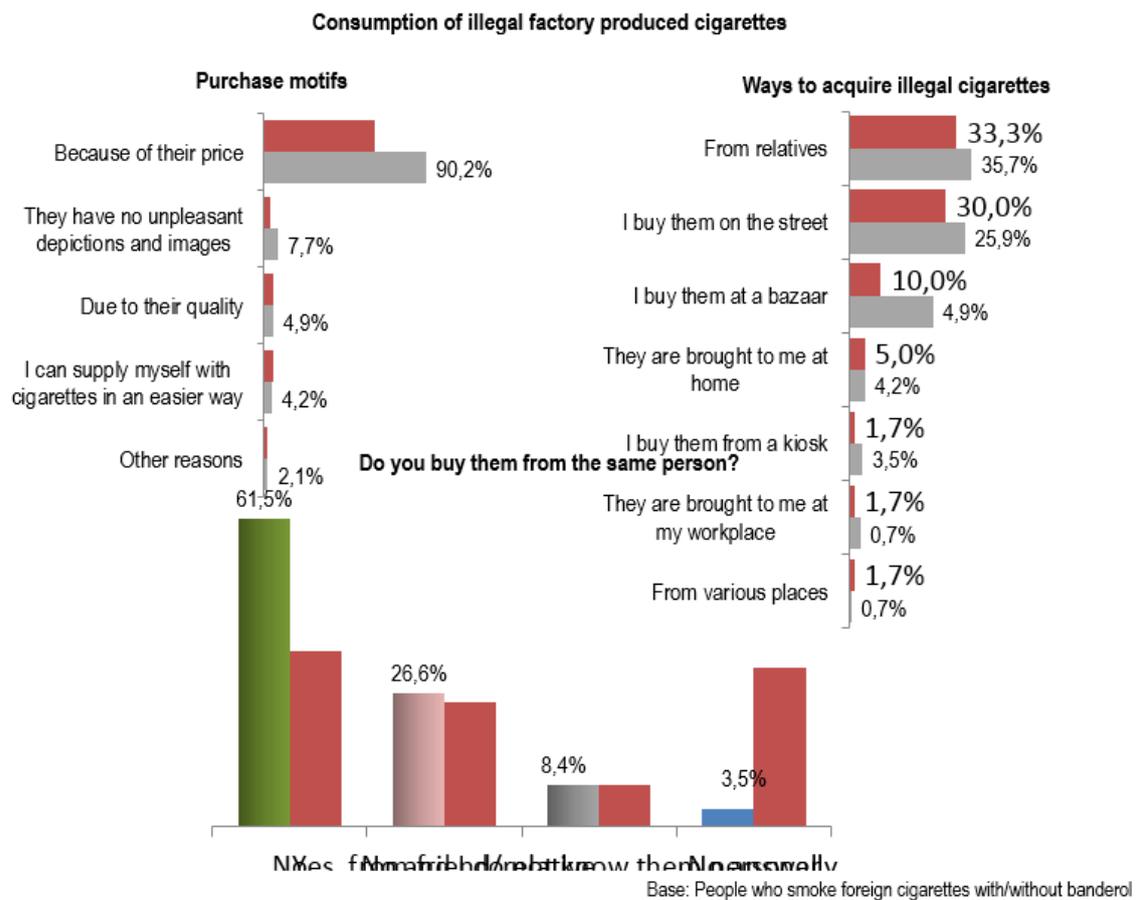
**3.3. Practices of consumption of illegal tobacco products**

Price is the main factor, which contributes for the use of illegal cigarettes (90%) and illegal tobacco (62%). Meanwhile 8% of the respondents claim that they purchase such products due to the fact that they lack unpleasant images, which may be considered a negative externality from the policies aimed at reduction of smoking. In the case of tobacco for hand-rolled cigarettes the effect from this images is smaller – the lack of stressing images is a motif for purchase of only 5% of the people who use it.

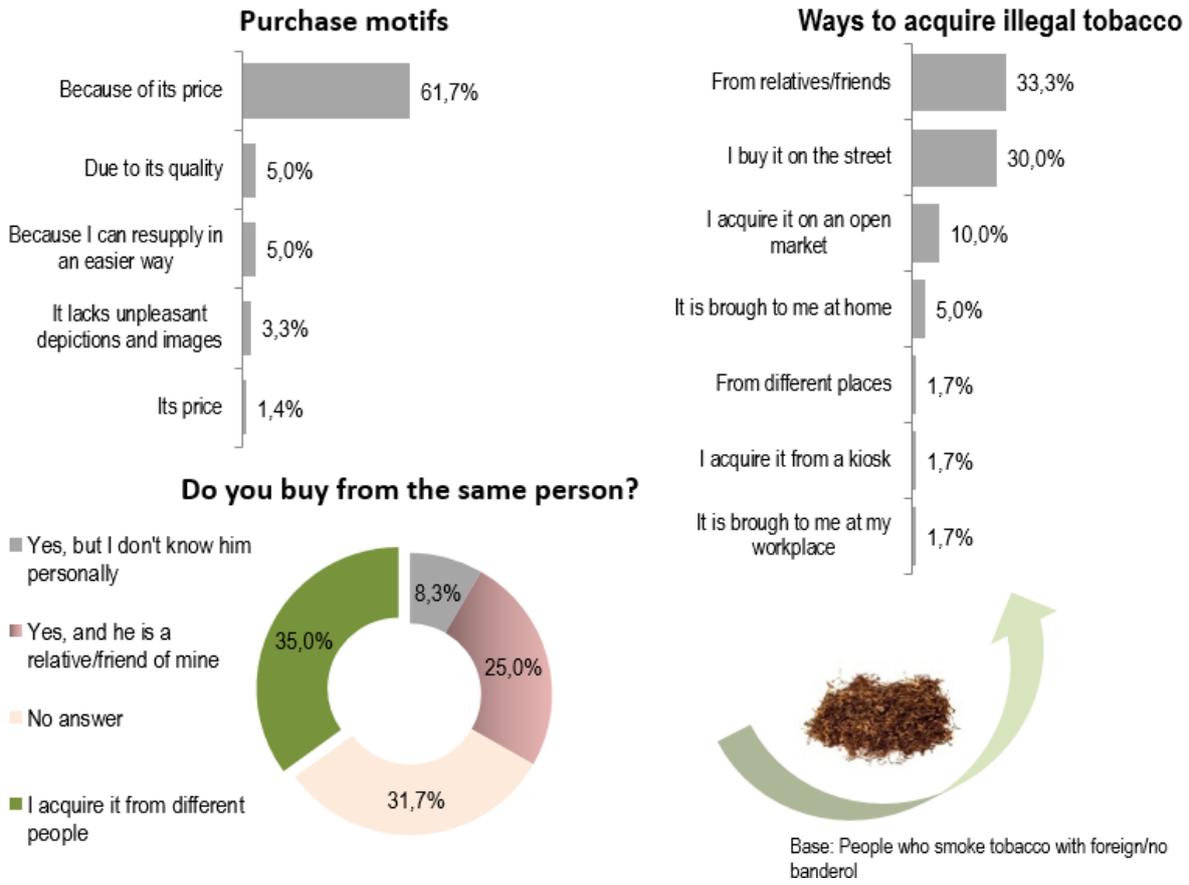
There are three main channels through which the consumers of illegal products acquire them. In the first place, those include the friends and relatives (38% in the case of cigarette smokers; 33% in the case of hand-rolled cigarette smokers). Secondly – the street vendors (37% in the case of cigarette smokers; 30% in the case of hand-rolled cigarette smokers). Third, the municipal/open marketplaces (26% and 10%, respectively). Other supply methods, such as home or office deliveries, shops or kiosks are significantly less popular. The majority of smokers of illegal cigarettes buy not only from a single supplier, but use the services of multiple individuals (62%), whom they most probably know, since the most used supply channel is a purchase from friend. Only 27% of the consumers of illegal cigarettes acquire them from a single person only; relatively the same share as the consumers of tobacco (25%), this similarity being more common in the district cities (39%). Just

8% of both groups have the habit of buying the goods from a single supplier who they do not know personally.

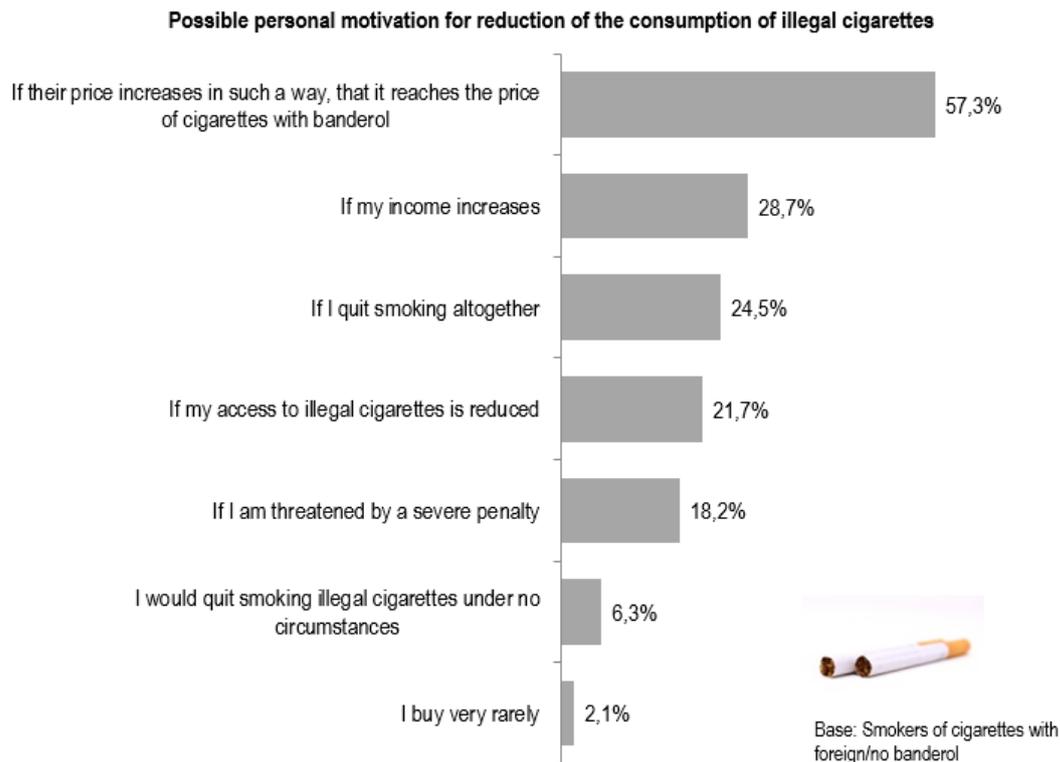
The practices of consumption of illegal tobacco products as a whole are similar in all regions with tiny distinctions in the supply chains in the various cities. In the bigger of them, like Plovdiv, Varna, Sofia, and Ruse, the consumers use in similar proportions channels like friends, markets, and street vendors, while in the smaller cities suppliers like street vendors (Svilengrad, Pazardzhik, Sliven, and Vidin) or personal contacts, suggested from friends (Kyustendil and Blagoevgrad) are more commonly used.



Consumption of illegal tobacco



Hypothetically and given the fact that the main reason for the consumption of illegal cigarettes is the lower price, most of the respondents would return to legal cigarettes if their prices were closer to those of the illegal ones (57%). The second most important factor in ending illicit smoking of cigarette is the increase in income (29%). At the same time, if access to illegal tobacco products is hampered, about one-fifth of the users (22%) would quit. The threat of serious punishment would deter 18% of the smokers of illegal cigarettes.



**4. Attitudes and motivation of the smokers, who have quit smoking in past periods of time**

For the majority of smokers (56%), the issue of quitting smoking was a relative one. 41% of them have stopped smoking at certain intervals, another 15% intend to try. Nearly half the smokers (43%) do not think about stopping cigarettes / tobacco in the near future.

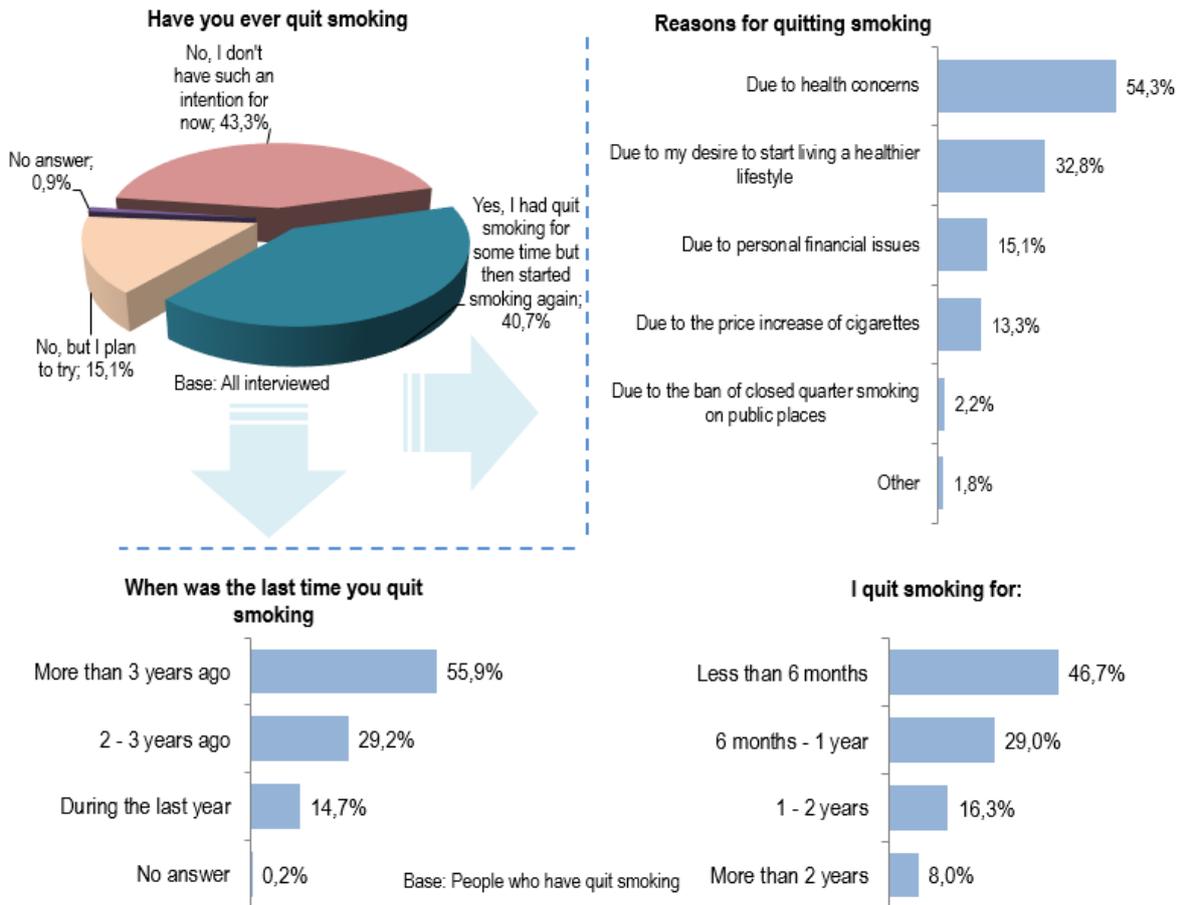
Stronger attitude against quitting smoking cessation is more pronounced among younger men with lower than average income, especially among people, who execute manual labour. They are also representatives of risk groups, which are more likely to consume illegal tobacco products. Women, more mature people and individuals with higher levels of income usually have a more prominent intentions towards trying to quit smoking. The majority of respondents have not made any recent attempts to stop smoking – 85% have quit smoking over two years ago or more. Younger smokers quit consuming cigarettes / smoking tobacco less frequently.

In the most common case, smoking was terminated for a short period of less than six months by almost half of respondents (47%). People, who have quit smoking for a period of six months to one year are 29% and the long-term quitters are 24%. Women and elderly people have remained non-smokers for more prolonged periods of time. Objective factors exist in these two groups, which influence this decision, those including raising babies and, in the case of the elderly, the general health condition.

It is the health factor that is most important in deciding to stop smoking. In addition to the health problems, which have affected more than half (54%) of the people who stopped smoking temporarily, in the second place is the desire to lead a healthier way of life (33%).

Personal financial reasons and an increase in the price of cigarettes account for less than a third of the attempts to quit smoking.

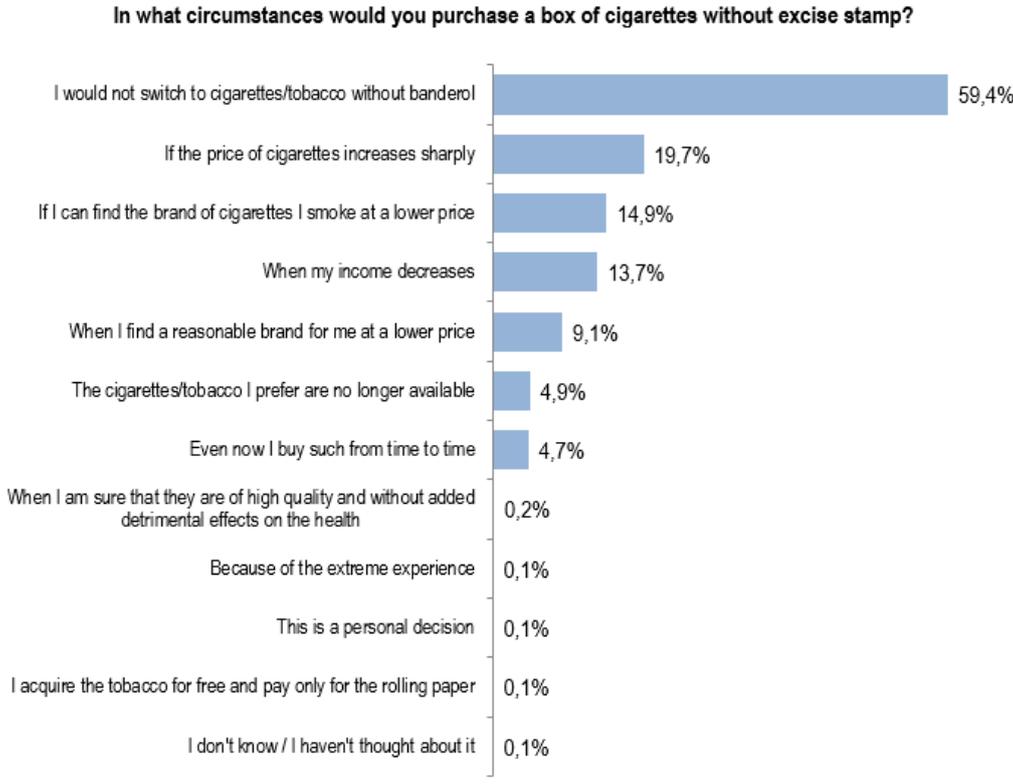
The desire to lead a healthier lifestyle has stimulated to the greatest extent the citizens of Sofia who have higher personal income. On the other hand, health problems (chronic or acute illnesses, allergies, etc.) have forced residents, living outside of the capital with medium or lower income, to pause smoking. The financial pressure on lower-income smokers is not merely as important factor, as a healthcare issue is. The ban on indoor smoking has had an impact on only 2% of smokers, which includes mostly the residents of the capital who have higher levels of income. While attempting to quit smoking, outside help by a doctor or specialist was sought by a minimal share of people – only 2%.



### 5. Familiarity and attitudes toward the illegal tobacco products

Incentives to switch from one brand to another and to buy an illegal product are often different. If factors such as taste, cigarette/tobacco strength, and price are of equal importance when it comes to changing the preferred brand, the cost and factors associated with financial dimensions are extremely important when it comes to the purchase of illegal tobacco. The survey records a high proportion of smokers who could potentially smoke cigarettes/tobacco without an excise stamp –41% of the interviewed claimed that they would do so. As it is logical, most of them are motivated by financial difficulties. Thus, a sharp increase in cigarette prices would be a motive for buying illegal products for 20% of the smokers. At the same time, 15% would do so if they experience an expansion of the access to similar products. Income reduction would be a factor of 14%, while 9% would do so if they manage to find another acceptable brand for them at a lower price. 59% of respondents said

they would switch to cigarettes/tobacco without an excise stamp or with a foreign excise label under any circumstances.

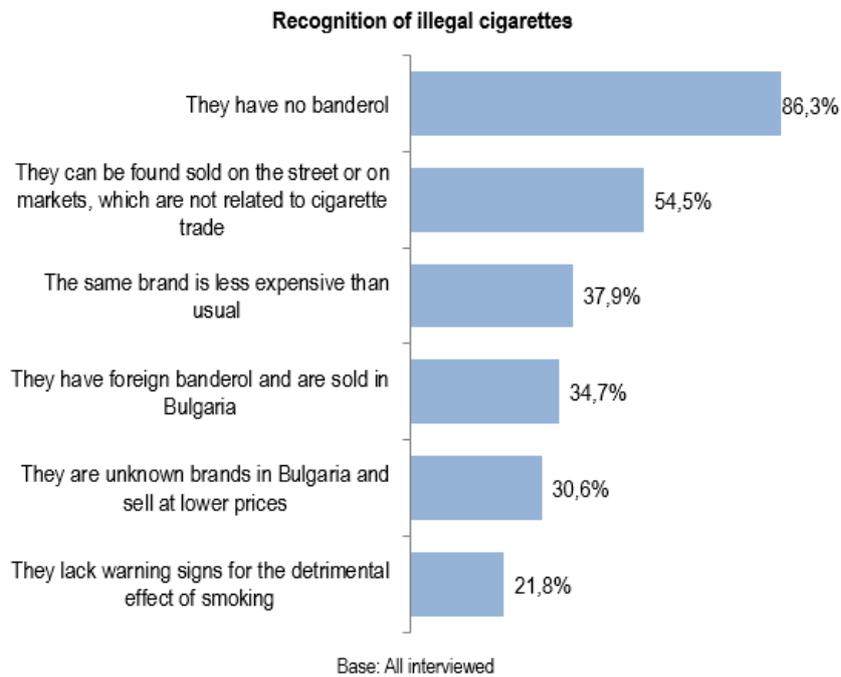


Base: All interviewed

The youngest smokers are more likely to buy an illegal product if they find their favorite brand at a lower price. This also applies to people from the lower income brackets, who consume such products more often than smokers with greater material capacity.

Essential to the distribution of illegal tobacco products is their recognition by the consumers. The absence of excise labels (86%) is the most significant sign, according to which a box of cigarettes or a package of tobacco is considered illegal. Another one of the most important landmarks is the place where the product is sold – for 55% of the respondents the streets, the markets, and other places unintended for such sales are a sign of illegal trade. A lower price for the same brand would also be an indicator of an illegal product for 38% of the smokers. Unknown brands for the Bulgarian market at an atypically low prices would make 31% of the respondents doubt that they are illegal. Although the absence of a an excise stamp would leave the impression for an illegal product inthe majority of the respondents, the foreign cigarette excise label on the Bulgarian market would be an indicator for illicit good for only 1/3 of consumers, and the lack of warning signs would impress even fewer peopleas a signal of illegal product– 22%.

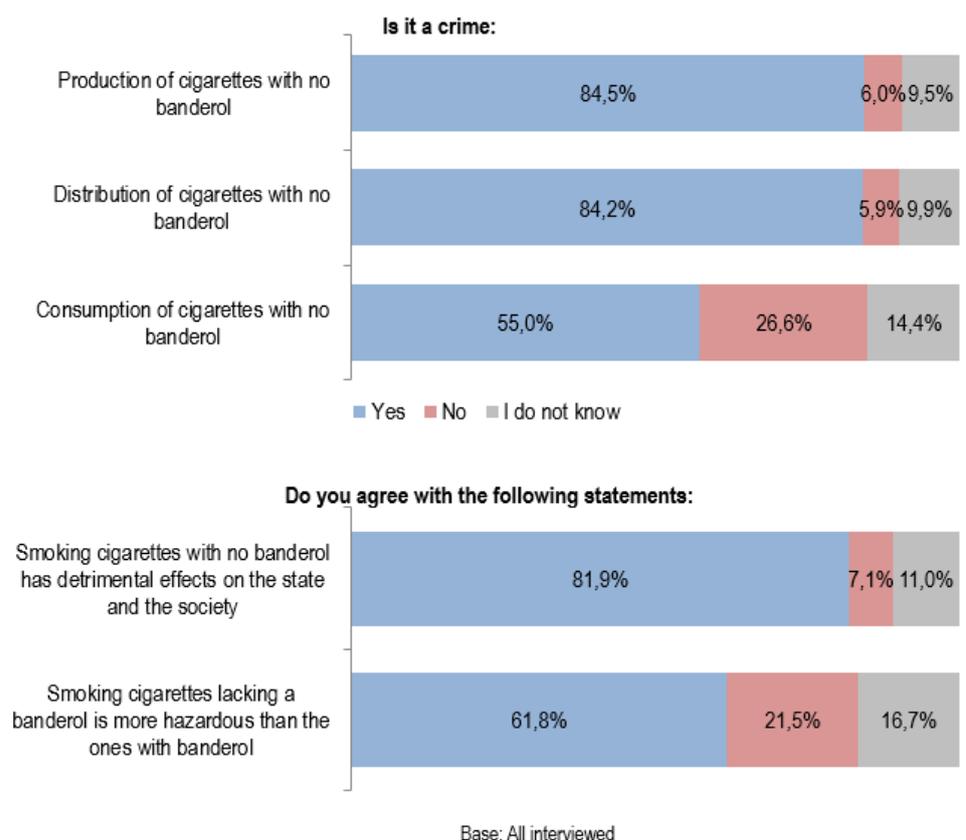




The poorest of smokers show decreased sensitivity to the signs of illegal tobacco products, as well as men who live in smaller settlements that generally consume more illegal products.

The majority of the smokers surveyed (85%) are informed that the production and distribution of cigarettes without an excise stamp is a crime according to the Bulgarian legislation. Almost the same share of respondents (82%) believe that the use of such products is detrimental to the state and society, although less of them (55%) perceive it as a crime. For 2/3s of respondents, the use of illegal tobacco products is riskier than the consumption of products which have an excise label.





Somewhat more uncertain in their responses are the youngest respondents who find it difficult to establish whether these actions are legal or not. These attitudes are an indicator of stronger susceptibility to an increased use of illegal cigarettes (here we have to distinguish them with the most vulnerable group, consisting of elderly men in smaller settlements, among which illegal tobacco is the most widely available and intensively consumed) .

The presence of excise labels is perceived as a sign that producers paid the excise duty to the state (76%) and as a price indicator (60%). 10% of the respondents admit they do not know what purposes does it serve.

Significantly less familiar with the function of the excise stamp on the tobacco products are people, living in the villages, with the lowest levels of personal income, and less educated – every fourth one of them admits that he does not know what the stamp on cigarettes and tobacco packaging is.

The majority of smokers (72%) are aware of the fact that there are sanctions for the possession, sale, and distribution of tobacco products without an excise stamp, which separates them from the share of respondents (55%), according to which the use of an illegal product is a crime. This difference is a sign of the blurring limits of legality in terms of the use of illegal products themselves, which some regard as illegal and subject to sanction, others – to subject to sanction only, while considering the distributors and producers to be the true “criminals”. The share of those who are unaware whether there are penalties for possession, distribution, and sale is 21%, while 5% believe that there are no sanctions at all.

Respondents with the highest levels of personal income, especially the ones who live in the capital city, demonstrate greater understanding that there are no sanctions for possession, sale, and distribution of tobacco products without an excise stamp. Younger people of more

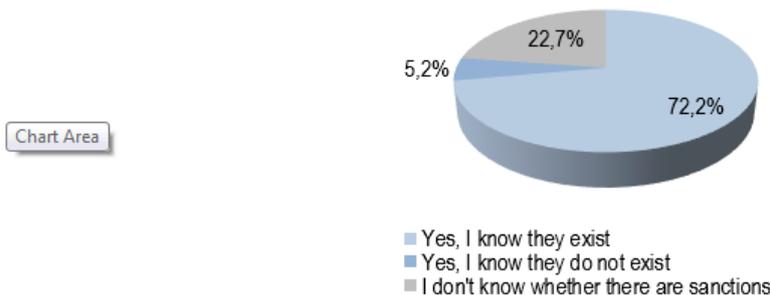
limited personal income, especially from the smaller towns, are on the opposite side of the spectrum.

Every third smoker (30%) claims that he knows where one could buy tobacco products either with no excise stamp, or with a foreign one. As it is logical, more familiar with the matter are men with lower personal income, who often purchase illegal products themselves. Significantly fewer – only one in ten smokers – claim to be familiar with a person, who was fined for use, trade, or manufacturing of illegal tobacco products.

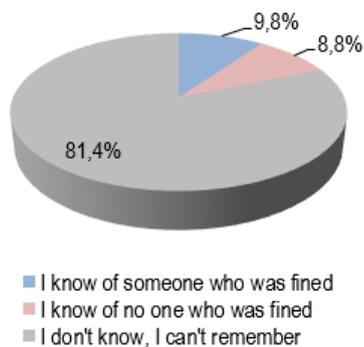
Significantly fewer people – only in ten smokers, knows of a person, who was fined for the use, trade, or manufacturing of illegal tobacco products. In this respect there are no significant differences between people living in different settlements or of different age. The only exception is the skeptical attitude of the respondents from Sofia. According to 23% of them are no people fined for such activities, while the average for the country is 9%.

Only 13% of the interviewed would report an illegal trade, while another 1 to 2% of them would do so only in case he has mistreated them. Although being skeptical that no illegal traders of tobacco/cigarettes were ever penalized, the smokers from Sofia would most readily (19%) report such person if they happen to recognize one. The majority of the surveyed (59%) would not report such a person or people, because they find it pointless or for other reason.

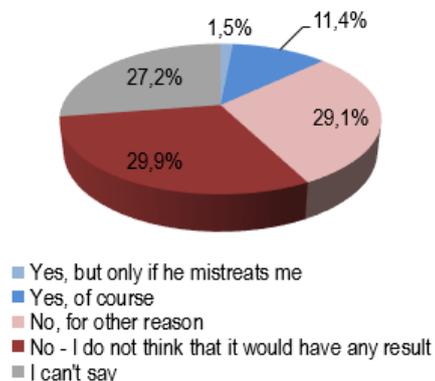
**Familiarity with the existing sanctions for possession, sale, and distribution of illegal tobacco products**



**Do you know of anyone in your city who has been fined?**



**Would you signal for an illegal cigarettes trader?**



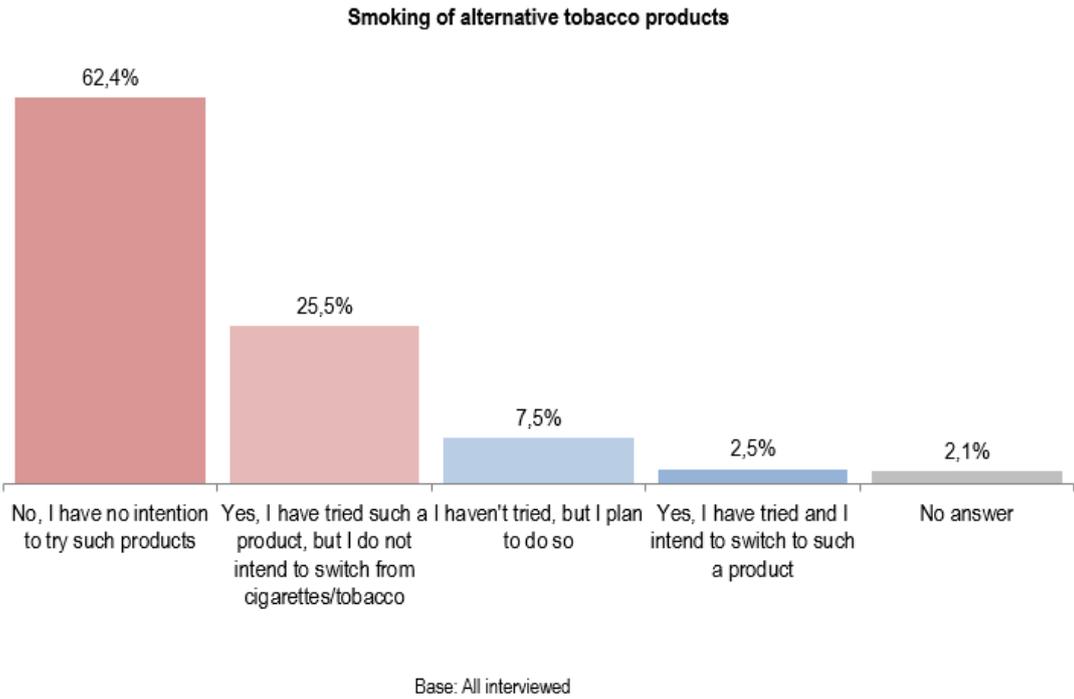
Base: All interviewed

Many smokers (58%) are at the opinion that the illegal trade of tobacco products is executed through big organized network and channels. Significantly less people (18%) believe that this trade is of more sporadic nature and that it is done by separate individuals.

## 6. Demand elasticity of tobacco products and influence of the policies for reduction of smoking

### 6.1 Demand elasticity of tobacco products

Various alternative tobacco products are entering the market nowadays, which to various degree imitate the classic cigarettes or which are trying to implement brand new consumption techniques – the electronic cigarettes, the tobacco heating products, the IQOS system and others. As a whole, the smokers show predominantly conservative behavior in regards to such products – 28% of the respondents say that they have tasted such products but only 3% of them claim that they have the intention to switch to such an opportunity someday. This is the group of people who smoke electronic cigarettes and heated tobacco products and which has already accepted them as a viable smoking alternative. Only a minority demonstrate intention to try them out – just 8%, while currently 62% of the respondents have no intention to try such a product.

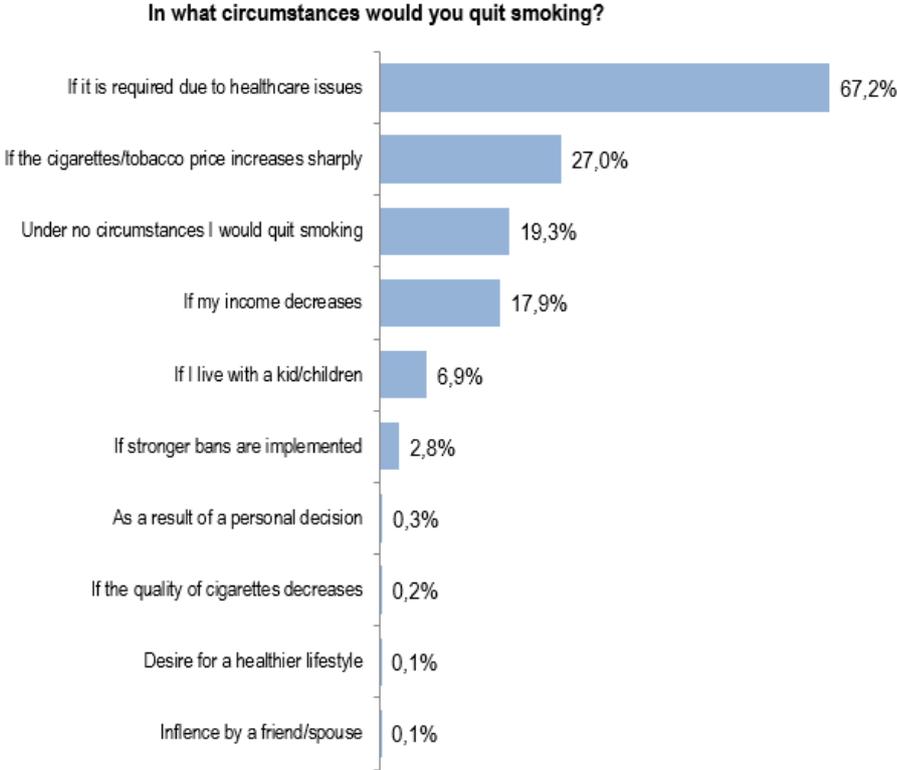


In this context, the last price increase of cigarettes has pushed only 2 to 3% of smokers towards trying new alternative smoking methods out, including tobacco, electronic cigarettes, and the IQOS system. A big majority of them all (72%) did nothing as a consequence of the price hike, 19% of the respondents claimed that they have started to smoke less, while less than 1% have switched to tobacco products with either no excise label or with a foreign one.

As far as the reasons that could make the respondents to quit smoking are concerned, price is of little importance, unlike the switching to illegal products. The majority of smokers (67%) claim that they would quit smoking if their health condition demands it, while 27% would quit smoking whatsoever as a result of a sharp price increase. On the other hand 18% would leave the habit behind if they experience income reduction. Living with a small child or



children and the implementation of tougher regulations would make only 7% of smokers to quit. Meanwhile each fifth of them claims that he would quit under no circumstances.

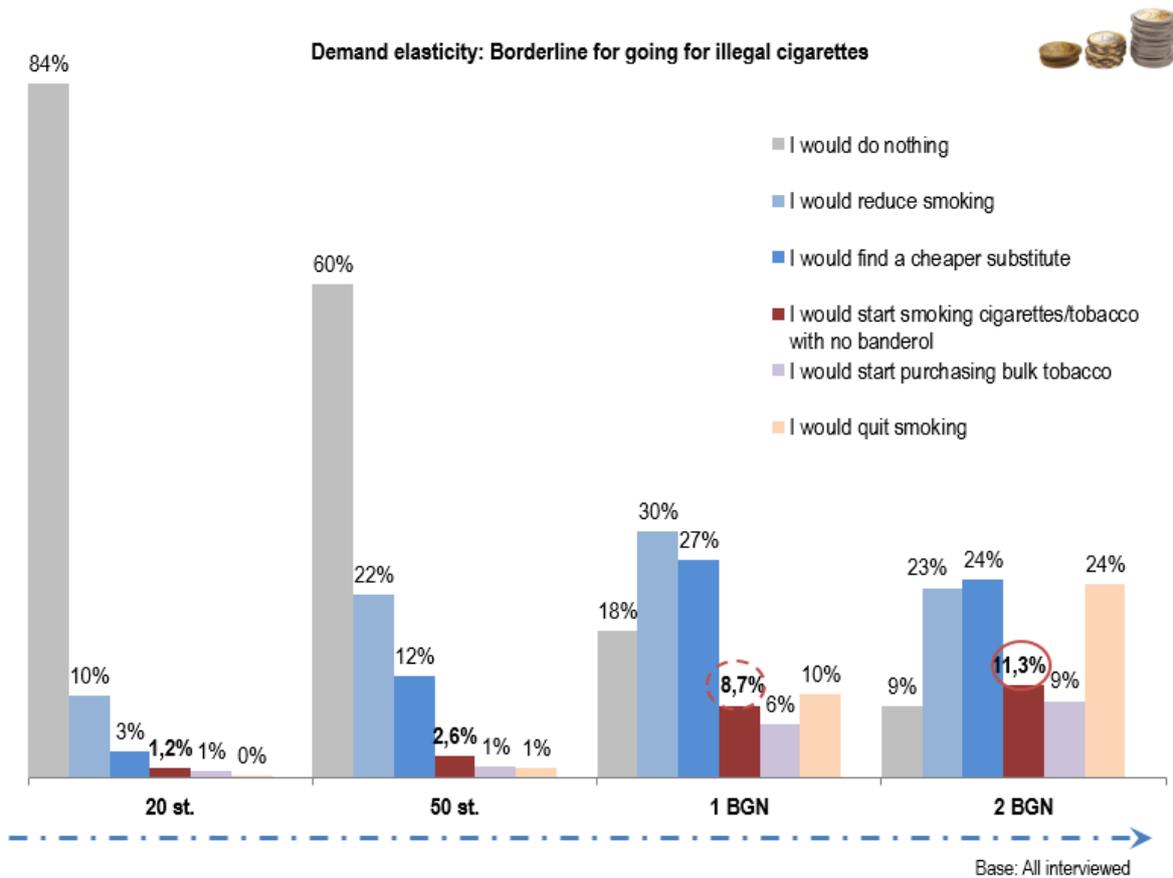


Base: All interviewed

Price increase would make predominantly the inhabitants of Sofia and individuals living in the villages to quit smoking, while a fall in the income would affect mostly those who live in the villages and in the smaller towns, where income is lower. Smokers of the bottom income brackets claim that they are more likely to switch to cigarettes or tobacco with no excise label or with a foreign one than to quit smoking. Such an attitude is confirmed by the fact that they are the biggest consumers of illegal products – 14% of people with personal income of 250 BGN per month claim that even currently they buy illegal products, while for the others this percentage is varies between 2 and 4%.

The borderline of price increase, above which a more significant share of smokers claim that they would switch to illegal tobacco or cigarettes, is 1 BGN. A price increase of up to 0.5 BGN would provoke no more than 3% of them to switch to such products, while if the prices surge with more than 1 BGN their share rises to 9%, reaching 11% at potential increase of 2 BGN per box of cigarettes.





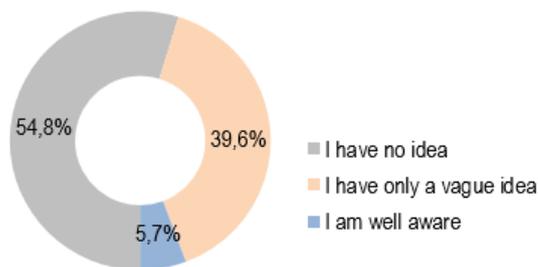
Income is of crucial importance for the reaction of the interviewed towards the price increase of the tobacco products. People with lower income are more sensitive towards even the tiniest price hikes. They are the most vulnerable group of people when the consumption of illegal products is concerned.

### 6.2 Influence of the policies aimed at reduction of smoking

Government policies regarding tobacco products has their influence on smokers predominantly in the form of taxes and excises, which are put on the goods, but also through the conditions and restrictions for their use.

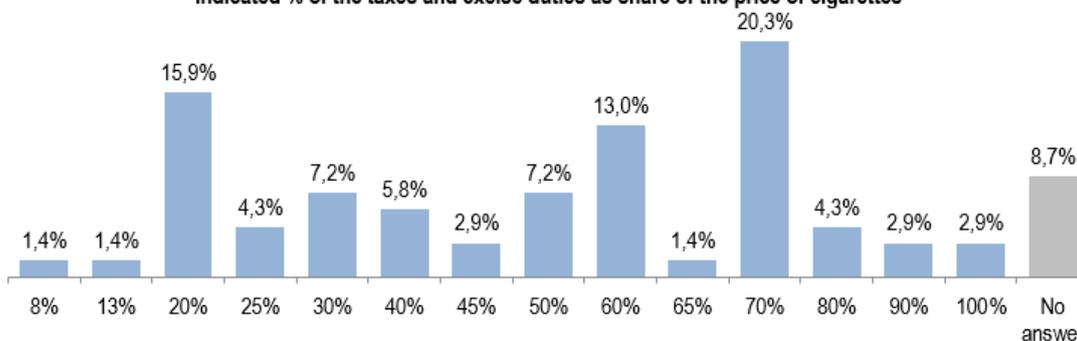
As far as smokers' awareness of taxes and excise duties on cigarettes is concerned, only 6% of them say they are well aware about what share of the price are formed by them. More than half (55%) have no idea and the rest are not sure. The most familiar with the matter are the residents of smaller and big cities (the exception being the inhabitants of the capital) of middle age and higher incomes. According to 1/3 of the smokers who claim to be well aware of the excise duty's share on the price of the final product it forms about 60-70% of it, while another 16% think that this share is 20%, probably due to the notion about the amount of VAT, which they may be confusing. The other half of their assumptions are spread across almost the entire spectre– from 8% to 100%.

**What share of the cigarette price is formulated by taxes and excise duties?**



Base: All interviewed

**Indicated % of the taxes and excise duties as share of the price of cigarettes**

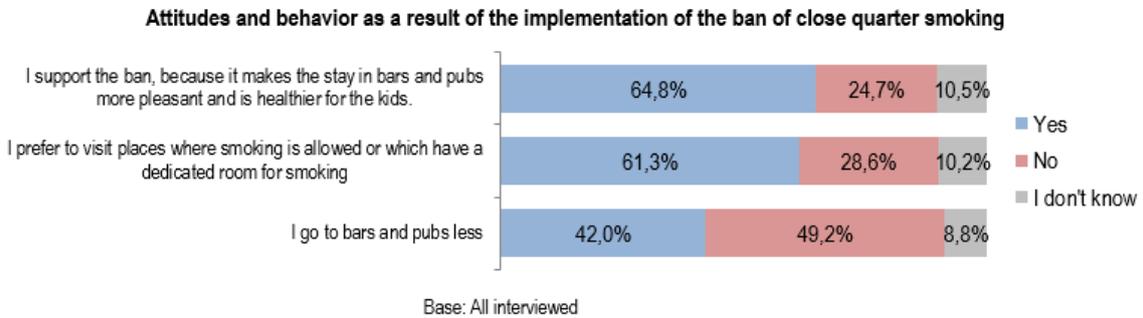
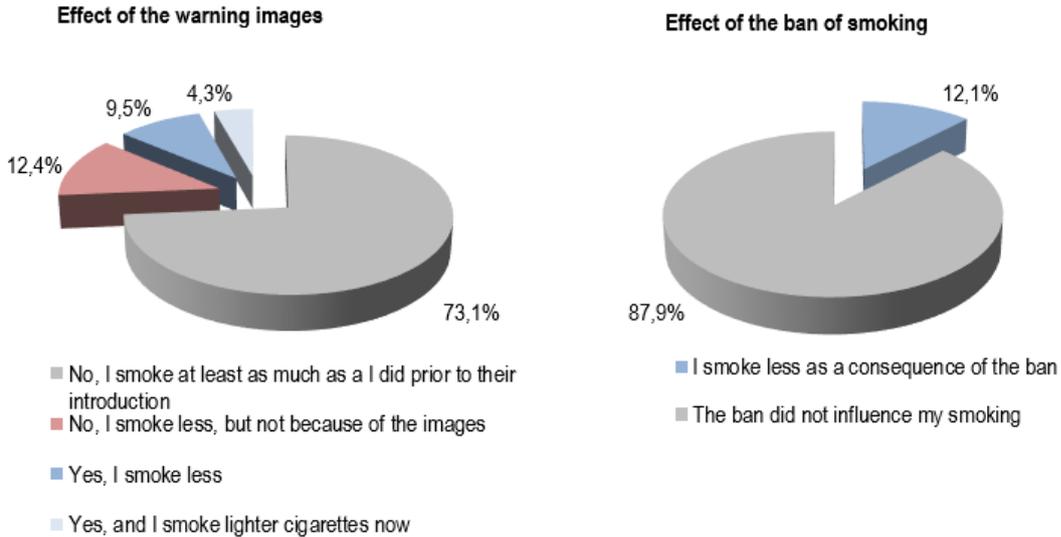


Base: People who responded that are well aware of the share of taxes and excises in the price of cigarettes

Among the policies which are implemented in the field of tobacco smoking are the mandatory images and inscriptions upon the packages of the products, which are designed to warn the smokers about the damage and health risks, coming from tobacco and cigarette smoking. These images made every tenth smoker to quit this habit, while between 4 and 5% claim that they have switched to lighter cigarettes. However, the majority of smokers (73%) declares no intention to alter their behavior. Sofia was the place where this policy had the strongest effect among people with high personal income, women, and the elderly.

The ban on smoking in indoor places had a similar consequence – 12% of smokers claim that as a result of it they have started smoking less. This is true predominantly for the people who live in Sofia, as well as for women.

Smokers affected by these policies are more willing to try to quit smoking altogether – 60% of them claim that they made such an attempt in the past, while on average this percentage is 40%.



The share of smokers, who have reduced their consumption of cigarettes as a consequence of the implementation of images upon the boxes or the packages of the products as well as of the ban on smoking in indoor public places, is around 10-12%. Their preferences towards visiting bars and pubs, however, have changed to a much greater degree. 61% of the interviewed claim that they prefer to visit places where smoking is allowed or in which separate smoking areas exist, while 42% prefer to visit fewer bars and restaurants as a whole. Young smokers are least affected by the ban and have altered their behavior to the smallest degree.

Even though such changes in the patterns of behavior of smokers occurred, the ban of indoor smoking in public places is widely approved by the interviewed smokers and 65% of them categorically support it. This support is stronger amidst the elderly and the women. The youngest smokers as well as the people with high personal income, especially in the capital city of Sofia, are most critical towards the ban.

**7. General conclusions from the research**

- **Smokers in Bulgaria are 39% of the entire adult population** or approximately 2.2–2.3 million people. **Tobacco consumption is heavily dominated by cigarettes – 96.2% smoke them**, while hand-rolled cigarettes are smoked by only 3.8% of the population, and, alongside the people who smoke tobacco in addition to the smoking cigarettes, their share reaches 7%.
- **The study registers a high intensity of the daily consumption of cigarettes**– both in the case of the factory made (16 per day) and of the hand-rolled (14 per day) cigarettes; ie. almost one box of cigarettes of 20 pieces per day per smoker. The total consumption of factory made cigarettes per day for the country is approximately

35 400 000 or 12.9 billion pieces annually, and revenues in the sector amount to about 3.3 billion BGN per year. The revenues from the sale of tobacco for hand-rolled cigarettes, given that the average price of 1000 grams is 225 BGN, amounts to approximately 46.4 million BGN.

- **The market is very diverse when it comes to the number of brands offered – there are more than 30 different brands registered**, but over 50% of it is formed by five-six key suppliers– Karelia (21%), Victory (11%), Marlboro (10%), Eva (9%), Rothmans (7%), all of which falling in the low to medium price segment (4.9-5.5 BGN per box of 20 cigarettes). **In the case of the tobacco market, the situation differs significantly**, as only 1/3 of the packages could be identified as brands. The number of tobacco brands identified by the research is very limited – in practice in the national survey found only three: Karelia (21%), GoldenVirginia (9%), and MacBaren (3%)
- **Smokers in the country are characterized by strong consumer habits in terms of the tobacco products they consume – 94% of them smoke only one type**, while only 6% consume additional products, most often (which is the case of half of them) this additional product is hand-rolled cigarettes. Alternative products such as electronic cigarettes or heated tobacco products are still poorly spread (within 1-2%).
- **Cigarettes are one of the most important expenditures when it comes to the personal monthly budget of almost half of the smokers.** Depending on the income group the smokers themselves fall into, the share of their expenditure for tobacco products varies considerably – between 10% and 40%. The average monthly sums paid for tobacco products is 121 BGN, and in the case of the lowest income groups, who have a personal monthly income of up to 250 BGN, almost half of the budget is spent on smoking. They are also representatives of the riskiest groups for the market of illegal tobacco products– many of them either currently shop on the black market, or would potentially benefit from it.
- **The socio-demographic profile of the smokers of factory made cigarettes and tobacco differ significantly:** while cigarettes are smoked from men of all age groups and cities in the country, who have low to medium income, the tobacco smokers are predominantly elderly men (of age over 50 years), who live in smaller towns and villages and have significantly lower income; 25% of them are members of the Roma ethnic group.
- The study outlines two dimensions of the market of illegal tobacco products– one is the current state of the market, which is judged according the boxes or packages shown, while the other is a broader understanding of the volume of this market and gives some idea about the potential risk groups. **Significant differences were established between the illegal use of factory made cigarettes and tobacco. In the case of factory made cigarettes the share of the black market is 5.6%**, while in the case of tobacco for hand-rolled cigarettes the consumption comes predominantly from illegal products, amounting to approximately 70% of the entire market. Looking through a broader indicator – the number of people who have bought cigarettes with foreign or no excise stamp during the past 2-3 years – the volume of the illegal cigarettes increases to 11.7% of smokers, while in the case of tobacco its share remains relatively stable – up to 70%.
- **As far as the different regions are concerned, the consumption of illegal cigarettes varies greatly from city to city. High levels of demand for such products are registered in the towns, located not very far from the borders of the country. The highest demand for illegal tobacco was recorded in Svilengrad (17.4%) Haskovo (13.2%), Vidin (9.9%), as well as in Pleven where the share of**

**illegal boxes of tobacco is the second highest in all of the studied fifteen cities having reached 16.6%. The general picture of illegal cigarettes consumption** (bought in the last two to three years) on a regional level shows huge variation in the shares. In many places **the volume of the illegal boxes of cigarettes bought, when compared to a broader period of time, in reality doubles and triples, as is the case in Svilengrad, Pleven, Blagoevgrad, Kyustendil, and others. Meanwhile, in other places this share stays relatively the same both currently and in the whole picture.** Examples of such are Vidin, Burgas, Plovdiv, and Ruse.

- On regional basis the consumption of illegal tobacco varies as well. There are seven cities, in which the share of its demand is close to the average for the whole country, while in 8 other places the consumption of illegal tobacco is not so widespread.
- In the case of the registered shares of the illegal consumption of tobacco products the market size looks in the following manner: approximately 123 900 people smoke illegal factory made cigarettes, at an average price per box of 3.5 leva, making the daily revenue from the sale of such products around 10 400 000 BGN, **while for the whole year this sum amounts to 125 000 000 BGN.** The number of smokers of illegal tobacco are approximately 112 000 people, who on average smoke approximately 4 kilograms per person per year. **At a price per 1000 grams of about 40 BGN on average, the revenues from these products on an annual basis amount to about 22 400 000 BGN.**
- **The most commonly reported cigarette brands during the research, which had at least one criteria suggesting that they are illegal were: King, Rothmans, Viceroy, Karelia, Merilyn.** The rest of the market is formed by brands that have legal distribution as well as by such brands, which are not intended for the Bulgarian market – such as Compliment, Bond, Assos, Marble – but are present here and have shares – within the boundaries 1.5-3%.
- **Consumption of factory produced cigarettes stands out with a loyal consumer base**– 70% of the interviewed have not changed the brand they have smoked in the past 2-3 years. The most popular places for buying cigarettes are the stores where food is sold – grocery stores (85%), specialized cigarette and alcohol stores (59%), kiosks and pavilions in the town or the village (51%), and gas stations (16%). **Business locations, which are not licensed for the sale of tobacco products, such as municipal markets, street vendors, or private individuals, have a total share of about 5%.** The consumption practices of tobacco smokers vary widely, as the majority use illegal products. For this reason, it is most often bought from places/persons that are not intended to act as tobacco merchants by law: street vendors (36%), friends/acquaintances (34%), and rarely cigarettes and alcohol stores (21%).
- **The survey records a high proportion of smokers who would potentially use cigarettes/tobacco without an excise stamp –41% of the interviewed, as the price is the main factor determining whether they would start buying cigarettes without an excise stamp.** Meanwhile every third smoker (30%) states that he knows where one can buy tobacco products without an excise label or with a foreign one.
- **The price increase ceiling, after which larger proportion of smokers declare that they would switch to illegal cigarettes/tobacco, is 1 BGN.** An increase of up to 0.5 BGN would provoke no more than 3% of them to switch to such products, while a price increase of close to the 1 BGN borderline raises their share to 9%, which increase with additional two percentage points and reaches 11% with a potential increase of 2 BGN per box.

- **The majority of the smokers surveyed (85%) are informed that the production and distribution of cigarettes without excise stamp is a crime according to the Bulgarian legislation.** Almost the same share (82%) of them believe that the use of such products is detrimental to the state and society, although less (55%) of the interviewed perceive it as a crime. **The majority of smokers (72%) are also aware that there are sanctions for the possession, sale, and distribution of tobacco products without excise stamp.**
- **41% of smokers have quit smoking for certain periods of time,** while another 15% intended to try to do so. However, almost half the smokers (43%) do not intend to quit smoking cigarettes/tobacco in the near future. In the most common case, **smoking has been stopped for a short period of less than 6 months**– almost half of respondents (47%) managed to quit it for such a duration of time. Health reasons (54%) and the desire for a healthier life (33%) are the main motives in attempting to quit smoking.
- **Smoking restriction policies have influenced various aspects of the behavior of the smokers.** The introduction of mandatory warning labels and images, depicting the damage caused by smoking motivated 14% of smokers to reduce cigarettes or to switch to a lighter brand, and, due to the ban on indoor smoking, 12% of them started to smoke less. Much of the smokers have started going to bars and restaurants less frequently (41%) or switched their preference towards places in which a dedicated smoking facilities are provided (65%). **Despite these changes, the ban on indoor smoking is widely approved by the smokers surveyed - 65% advocate for it strongly.**
- **Unlike the strong support for maintaining the ban on indoor smoking, Bulgarian society is reluctant to support the legalization of marijuana.** An Alpha Research National Survey, conducted in March 2018, shows that more than half of Bulgarians do not support it – 54%. 31% advocated for legalization, but only under certain conditions – if the plant is used for medical purposes only. Only 3% support unconditionally the legalization of marijuana.