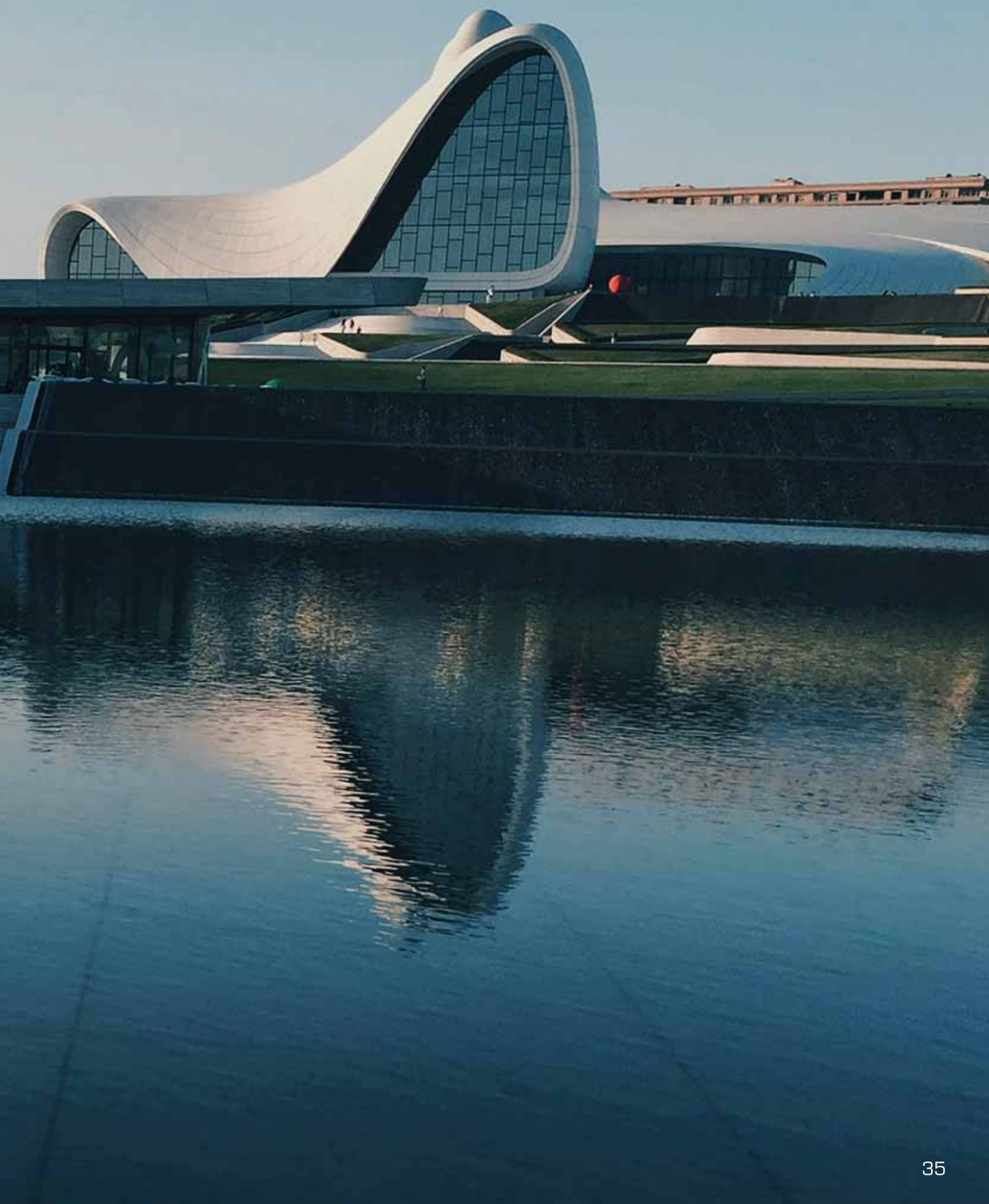

THE FRUGAL PREMIUM CONSUMER: SPENDING LESS, EXPECTING MORE

THE TERM "FRUGAL PREMIUM" SOUNDS LIKE A CONTRADICTION, BUT IT'S THE MOST ACCURATE DESCRIPTION OF ONE OF THE TRENDS THAT IS RESHAPING RETAIL GLOBALLY AND IN AZERBAIJAN. THE FRUGAL PREMIUM CONSUMER IS SOMEONE WHO CUTS COSTS AND WATCHES WHAT THEY SPEND BUT WHO ABSOLUTELY REFUSES TO LOWER THEIR STANDARDS. THEY WON'T BUY SOMETHING CHEAP JUST BECAUSE IT'S CHEAP. THEY'LL WAIT, RESEARCH, SAVE UP. BUT WHEN THEY BUY, THEY WANT QUALITY, THE RIGHT BRAND, AND A GOOD EXPERIENCE IN THE STORE. THEY'VE BECOME VERY MINDFUL ABOUT WHERE THEIR MONEY GOES. INSTEAD OF BUYING THREE AVERAGE THINGS, THEY BUY ONE GOOD THING. AND THEY FEEL BETTER ABOUT IT.



BY KIRILL MARTYNOV
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A global trend becomes Azerbaijan's reality

NielsenIQ's Consumer Outlook for 2026 asked what consumers would do with a fixed amount of money, and two thirds of them said they would buy one or two high-quality products rather than four or five cheaper ones. That's exactly the frugal premium mindset.

KPMG's 2025 Consumer Pulse study in the US framed it as a "make it count" mentality. Consumers aren't spending less because they want less. They're spending more carefully because they've decided every purchase has to justify itself. And when a purchase does justify itself through quality, brand trust, and the experience of buying, they go ahead, even in difficult economic conditions.

Salsify's 2025 research found that 87% of consumers say they will pay more for brands they trust and that align with their values.

In Azerbaijan, the income structure creates a distinct consumer psychology. According to the US Commercial Service, the average monthly salary reached \$646 in the first seven months of 2025, up 9.5% year-on-year. There is also a growing middle class earning around \$1,200 to \$1,300 a month and then a smaller, concentrated wealthy segment, mostly in Baku, that has the means for genuine luxury.

That middle segment, the \$1,200-a-month urban professional, represents the frugal premium consumer. These consumers earn enough to have real aspirations. They follow global brands and know what good looks like, but they don't earn enough to be careless. Every purchase is a decision. And the decision is almost never the cheapest available. It's the best out of what they can afford.

Frankly speaking, this is mostly a Baku story. Outside the capital, the income picture is tougher and pure affordability still dominates. The frugal premium consumer is a real and growing segment, but we should not mistake life in the capital for the experiences of the whole country.

Status, culture, and the Baku premium

Social signaling through consumption carries more weight in Azerbaijan. In Baku, what you wear, where you eat, and what you carry communicate meaningful information about who you are. That creates a very strong premium aspiration, even when budgets are tight. You don't lower your visible standards because the social cost of doing so is real.

According to Euromonitor's 2025 research, Azerbaijan is a country in which social status and personal image hold significant cultural importance. Therefore, demand for premium beauty products, particularly fragrances, remains a consistent driver of growth, even as consumers exercise caution in other spending areas. At the same time, Euromonitor found that consumers remained cautious with their spending, often favoring affordable over premium imports and responding strongly to promotions and loyalty programs. This describes the frugal premium customer precisely: price-sensitive and quality-conscious at the same time.

Baku also is an increasingly regional retail destination. Affluent shoppers from southern Russia, Georgia, Kazakhstan, and the Middle East come here to shop. Port Baku Mall was explicitly designed to serve this regional appetite. That external premium customer base reinforces the retail ecosystem,



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including what local consumers expect when they walk into a store.

Coffee, fragrance, and the right pair of shoes

In what categories is this playing out in Azerbaijan? Apparel and fashion are the most obvious. According to Statista's Consumption Indicators, clothing and footwear spending per capita in Azerbaijan was forecast at around \$211 in 2025. Relative to average income, this represents a meaningful priority. Azerbaijanis spend disproportionately on how they present themselves. That's cultural, not irrational. And it means that even when overall budgets tighten, appearance-related categories are protected. This reflects a tendency to maintain or even increase spending on small, identity-affirming items while cutting larger discretionary purchases.

Fragrance and personal care are another category for understanding Azerbaijan's frugal premium consumer. Euromonitor's 2025 global beauty analysis describes shoppers increasingly trading premium for mass-market brands but doing so in categories that still deliver quality and value. Fragrances are set to contribute the largest portion of beauty industry growth globally (23% of absolute growth between 2024 and 2029, according to Euromonitor) precisely because they offer small indulgences at a lower cost. In Azerbaijan specifically, mass-market women's fragrances remained the

largest beauty category in 2024. Layering affordable fragrance products to recreate a luxury effect allows consumers to reimagine indulgence without the full luxury price tag.

The country's coffee and cafe culture also illustrates the frugal premium mindset. The Azerbaijan coffee market is structurally changing. Coffee is becoming an embedded daily ritual, particularly among younger urban consumers. With accelerating urbanization and rising exposure to international lifestyles, coffee is reinforcing its standing as a mainstream alternative to tea. Cafes roasting their own beans and offering specialty brewing methods are popular on weekday mornings in Baku. These consumers are not necessarily wealthy. They are middle-income professionals who have decided a well-made coffee is worth paying for. They may pack their own lunch, but they will not order cheap coffee.

It is also seen in e-commerce. According to the Asian Development Bank, Azerbaijan is expected to have around 3.9 million e-commerce users in 2025 (rising to 4.0 million by 2027). The observed behavior reflects a frugal premium consumer segment. Consumers are using online platforms to research products thoroughly, wait for promotions, and compare prices, often using foreign platforms to buy goods. Then, after all that research, they make a considered purchase of something better than what they might have bought impulsively in a physical store.

The local playbook: How one retailer got it right

One of the grocery chains in Azerbaijan has adopted a "From Field to Shelf" strategy that sources agricultural products directly from farmers and delivers them straight to stores, eliminating intermediaries. This keeps costs down

while giving customers access to fresh, quality products at affordable prices. They have also developed private label products across more than 20 food and non-food categories. Those are explicitly positioned to offer quality at a lower price than imported equivalents. At the end of 2024, the Asian Development Bank signed a \$10.5 million financing deal with that grocery chain to expand its operations, specifically citing the company's ability to provide access to affordable, quality food and its direct backward links to local farmers.

By adopting this strategy, that grocery chain decided not to choose between affordability and quality. It is working on a model that delivers both. That is the offer frugal premium consumers are looking for, whether they are shopping for groceries or anything else.

Three mistakes businesses keep making

What are businesses in Azerbaijan currently getting wrong when it comes to this consumer?

The first mistake is competing purely on price. If you are trying to win the frugal premium consumer by being cheapest, you have misunderstood who they are. For the frugal premium

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consumer, a brand's value also comes from such factors as quality, customer service, the ease of the transaction, and the feeling they get in the store. If you strip out service and experience to cut costs, you lose the customer even if your price is lower.

The second mistake is underinvesting in staff and the in-store experience. Euromonitor's research on Azerbaijan found that health and beauty specialists — the category's leading distribution channel in 2024 — continue to attract consumers specifically through knowledgeable staff, expert product advice, targeted loyalty programs, and seasonal promotions. In a market where consumers are cautious with spending, the human interaction that helps them feel confident in their purchase decision is not a nice-to-have; it is what drives the sale.

The third mistake is assuming the market is monolithic. It is not. The frugal premium consumer in Baku is different from the consumer in Ganja or Sumgait. The income segmentation in Azerbaijan is real and what works for the \$1,200-a-month Baku professional will not work in the same way with a consumer on the national average wage. It is important to



be precise about who you are targeting and what “premium” means at each income level.

Generation Z: The frugal premium consumer in its purest form

Younger consumers in Azerbaijan are in many ways the purest expression of this trend. They are digital natives who have grown up comparing prices, researching purchases, following brands on social media, and forming very clear opinions about what is worth their money and what is not. They are the generation most likely to wait for a sale but also the generation most likely to spend significantly when they do commit.

A large share of Generation Z consumers wait for products to go on sale, and only a small minority regularly pays full price. But they are still planning to spend meaningfully on experiences and items they genuinely want. They're not opting out of consumption. They're opting into consumption on their own terms.

In Azerbaijan, this younger cohort is also more brand literate than any previous generation. They know international brands not from store visits but from social networks. They arrive in a store with a fully formed opinion already, which means the in-store experience needs to confirm and elevate what they already believe about the brand. A Polish fashion retailer opened its first store in Baku at the end of 2025. The retailer's rationale was as follows: a young demographic profile, rising household incomes, and a fashion market forecast to grow at over 10% annually, reaching \$850 million by 2029. That is an international company voting for the existence of this consumer segment. They are not coming here to sell cheap clothing. This fashion retailer's positioning is affordable-but-designed, with a quality you can justify.

Three things to do differently, starting now

What does this mean practically for a business operating in Azerbaijan right now?





Port Baku Mall and Residence

THE CONSUMERS WHO HAVE GONE THROUGH THE DISCIPLINE OF MAKING EVERY PURCHASE COUNT DON'T ABANDON THAT HABIT WHEN THEIR INCOME RISES. THEY CARRY IT FORWARD.

First, lead with quality and trust, not price. Build the case for why your product or service is worth it. Consumers here are increasingly intelligent shoppers. They will see through vague premium positioning. Tell them what makes it good. Show them, let them feel it.

Second, invest in the experience, especially the human experience. In a city like Baku where the retail ecosystem ranges from Teze Bazar to Chanel, the differentiator is almost never price. It is how the customer feels when they are in your space and when they leave. That requires trained, knowledgeable, and genuinely attentive staff. It requires a physical environment that respects the customer. It requires that every interaction signals that the consumer made the right choice coming here.

Third, make sure to have a presence on the platforms your consumer researches, not just where they buy. Frugal premium consumers do their homework before they spend. They are online, reading reviews, comparing. If your brand is not present, credible, and compelling in those research moments, you will lose the sale before the customer has even walked through your door.

A word of caution

There are also limits to the concept. The most important one is that counterfeit goods remain a genuine problem in Azerbaijan. When a consumer buys a convincing fake of a premium brand at a fraction of the price, they are not really expressing a preference for quality. They are expressing a preference for the appearance of quality, which is different.

There is also a risk of over-romanticizing the data. The frugal premium consumer is real, but they are not the majority. Most Azerbaijanis are managing genuine budget constraints.

For a significant portion of the population, price is not just one factor among many. It is the deciding factor. Businesses that build their entire strategy around the aspirational middle



class may be fishing in a smaller pond than the narrative suggests, at least outside Baku.

And finally, this trend is not new. Consumers have always wanted quality at a fair price. What may be changing is how they can shop for it, thanks to smartphones, social media, and growing brand literacy. The frugal premium consumer is not a new type of person, but rather an old type of person with better tools.

This is not going away

The consumers who have gone through the discipline of making every purchase count don't abandon that habit when their income rises. They carry it forward.

According to Capgemini's research "What Matters to Today's Consumer 2026," globally, nearly 70% of retail executives agree that the value-seeking behaviors now represent a permanent structural change, not a temporary response to inflation. I would say the same is applicable to Azerbaijan. The Azerbaijani consumer is not going to become less informed or less intentional. They are going to become more so.

The businesses that understand this now and build their offer, service, and brand around the frugal premium consumer segment will have genuinely loyal and valuable customers five and ten years from now. The risk for the opposite is being squeezed from both ends, leaving businesses unable to compete with pure discounters on price and unable to justify their position to consumers who expect more.

The good news is that "more" is not impossible to deliver. It just requires intention. And in a market like Baku, which is moving fast, that intention is itself a competitive advantage.