

MARKET POTENTIALS FOR SOUTH AFRICA BY PROVINCE, MUNICIPALITY AND POPULATION GROUP, 2008

The Bureau of Market Research (BMR) recently completed a report entitled *Market potentials for South Africa by province, municipality and population group, 2008* (BMR Report 388). Market potentials were calculated using information from the BMR's income and expenditure database based on the number of possible buyers and their average annual consumption of products and services per population group, municipality and province. Market potentials for a specific product and/or service will be higher in the more affluent provinces, where a large number of affluent people (potential customers) are living in affluent areas (municipalities). Conversely, market potentials will be lower in the poorer provinces where there are many poor people (potential customers) residing in poor areas (municipalities).

According to Prof Carel van Aardt (Research Director of the BMR Income and Expenditure Division) the results of the study show that the White population, although only 10.8 % of the total South African population in 2008, contributed 40.2 % of household consumption expenditure. The contribution of the White population group to total household consumption expenditure decreased from 48.1 % in 1993 to 40.2 % in 2008 while the contribution of the African population to total household consumption expenditure increased from 38.6 % in 1993 to 47.1 % in 2008.

The report shows that about 63.8 % of all household consumption expenditure in the Eastern Cape is incurred by Africans, followed by 26.9 % by Whites. The Coloured contribution to provincial household consumption expenditure is 8.1 %, while that of Asians is 1.2 %.

Furthermore, as regards the Eastern Cape, the results of the study show that nearly 46 % of all household consumption expenditure originates from two municipalities, namely Buffalo City Local Municipality (East London) and Nelson Mandela Bay Metropolitan Municipality (Port Elizabeth).

Turning towards the Free State, it is evident that half the total provincial household consumption expenditure occurs in the two municipalities of Mangaung (35.2 % of total) and Matjhabeng Local Municipality (14.7 % of total). Should Metsimaholo Local Municipality, Maluti a Phofung Local Municipality and Moqhaka Local

Municipality be included, these five municipalities encompass nearly 75 % of total household consumption expenditure in the Free State.

When comparing total household consumption expenditure in Gauteng with that of South Africa as a whole, Van Aardt indicated that Gauteng accounts for about 35.0 % of total household consumption expenditure in South Africa. According to Van Aardt it is also interesting to note that the three large metropolitan areas, Ekurhuleni, Johannesburg and Tshwane jointly accounted for household consumption expenditure of R441 billion in 2008, which comprises 31.8 % of all household consumption expenditure in South Africa and approximately 90 % of household consumption expenditure in Gauteng.

As was the case with Gauteng, households in the eThekweni Metropolitan Municipality area in KwaZulu-Natal are responsible for a very large percentage of provincial household consumption expenditure, namely nearly 52 %. The only other municipalities that reflect sizeable household consumption expenditure percentages are Hibiscus Coast, uMngeni, Msunduzi, Emnambithi-Ladysmith, Newcastle, UPhongolo, Jozini and KwaDukuza municipalities, which are generally more urban municipalities.

Since there are no metropolitan areas in the Limpopo province, household consumption expenditure in this province is more evenly distributed throughout the province than is the case in Gauteng, KwaZulu-Natal, the Eastern Cape and the Western Cape, where the six metropolitan municipalities of South Africa are situated. The only two municipalities with substantially higher percentages of household expenditure compared to other areas are the Polokwane and Thulamela municipalities that jointly explain about 30 % of household consumption expenditure in the province.

Similar to the situation in Limpopo province, household consumption expenditure in Mpumalanga is more equally distributed than in some other provinces due to the absence of a metropolitan municipality in this province. The greatest concentrations regarding household consumption expenditure were found in respect of three more urban municipalities, namely the Govan Mbeki, Emalahleni and Mbombela municipalities where larger towns such as Secunda, Kinross, Bethal, Leandra, Witbank, Middelburg, Nelspruit, Hazyview and White River are situated.

In the North West province more than half the total household consumption expenditure is concentrated in four municipalities, namely Madibeng local municipality (including Brits), Rustenburg local municipality, Matlosana municipality (including Klerksdorp and Orkney) and Merafong local municipality (including Carletonville). Per capita consumption expenditure in this province differs greatly from as much as R48 405 in the Merafong municipality and R45 695 in the Tlokwe municipality, to R12 781 in the Kagisano and R10 439 in the Ratlou municipal areas.

The total household consumption expenditure of the Northern Cape comprises only about 2 % of South Africa as a whole and is by far the lowest of all the provinces. About half the total household consumption expenditure in this province is found in three municipalities, namely Sol Plaatjie municipality (including Kimberley), Khara Hais municipality (including Upington) and Ga-Segonyana municipality (including Kuruman). Almost a third of all household consumption expenditure in this province originates from Sol Plaatjie municipality with the other 31 municipalities constituting the remaining two thirds.

As regards the Western Cape, the results of this study show that the City of Cape Town Metropolitan Municipality is responsible for more than three quarters of household consumption expenditure in this province. Furthermore, household consumption expenditure in this metropolitan municipality comprises about 10.7 % of all household consumption expenditure in South Africa. Per capita consumption expenditure in the City of Cape Town Metropolitan Municipality is the highest in the Western province, followed by other municipalities such as Knysna, George, Hessequa, Cape Agulhas, Overstrand, Stellenbosch and Saldanha Bay.

Upon looking at all the municipalities in South Africa to determine in which municipalities the highest household consumption expenditures are found, Mrs Marietjie Coetzee (BMR Senior Computer Scientist) indicated that it is interesting to note that the six metropolitan municipalities in South Africa are the six top municipalities with regard to household consumption expenditure. According to Coetzee, nearly 54 % of all household consumption expenditure in South Africa occurs in these six municipalities. Furthermore, these metropolitan areas are responsible for 38.3 % of total consumption expenditure by African households, 79.0 % by Asian households, 62.4 % by Coloured households and 66.5 % by White households according to Coetzee.

According to Van Aardt and Coetzee, the results of the study show that there are clear patterns and trends with regard to market potentials in South Africa that need to be kept in mind by marketers in making product development and marketing decisions. Such patterns and trends include, inter alia, that household consumption expenditure has grown significantly since 1993 in both nominal and real terms.

An average annual nominal growth rate of 12.9 % was experienced during the period 1993 to 2008, while a 116.5 % growth in household consumption expenditure in nominal growth terms and a 43.8 % growth rate in real terms was experienced during the period 2001 to 2008. Furthermore, large per capita consumption expenditure differentials are found within and between provinces. Whereas per capita consumption expenditure was R52 084 pa in Gauteng during 2008, the comparative figure was only R15 091 pa in respect of the Limpopo province.

Furthermore, while per capita consumption expenditure was as high as R60 636 pa in the City of Johannesburg Metropolitan Municipality in 2008, the comparative figure for the Ntabankulu Local Municipality in the Eastern Cape was only R6 780 pa. It should also be noted that all 30 municipalities with the biggest household consumption expenditure in South Africa in 2008 were predominantly urban municipalities.

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(Research Report no 388) was compiled by Prof CJ van Aardt (Research Director) and Mrs M Coetzee (Senior Computer Scientist) of the Bureau of Market Research. The report, consisting of 44 pages, is available from the Bureau of Market Research, PO Box 392, UNISA 0003.

Professional enquiries:

Prof CJ van Aardt
Bureau of Market Research
University of South Africa
PO Box 392
UNISA
0003
Tel: (012) 429 2940
Fax: (012) 429 3170
E-mail: vaardcj@unisa.ac.za

Professional enquiries:

Mrs M Coetzee
Bureau of Market Research
University of South Africa
PO Box 392
UNISA
0003
Tel: (012) 429 3021
Fax: (012) 429 3170
E-mail: coetzmc@unisa.ac.za

Other enquiries:

Mrs M Nowak
Bureau of Market Research
University of South Africa
PO Box 392
UNISA
0003
Tel: (012) 429 3044
Fax: (012) 429 3170
E-mail: nowakm@unisa.ac.za