

The new black middle class: its economic power

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RS, South Africa's leading marketing insights company, in conjunction with the UCT Unilever Institute of Strategic Marketing, has conducted a ground-breaking study into the size, make-up, buying power and mindsets of the so-called new black middle class in South Africa.

In so doing, it has exploded several myths about this crucially-important and fast-growing segment of the "black market" that is driving much of the country's economic growth at present.

What is it all about?

Where does one look to find the new so-called black middle class in South Africa? Are they in the suburbs? Are they in the townships? Who are they? The rich, the upwardly mobile, the young? Do they have kids? What is their state of mind? Who has made it; who still has a chance of making it? Who is worth what? How many of them are there? How homogeneous or heterogeneous are they? To what do they aspire? How do their roots drive them?

These are some of the questions that RS's Black Diamond Project answers - the name "Black Diamond" arising from the realisation of this segment's massive buying power and future potential.

Why? What is the "middle class"?

In any society, a vibrant, significant middle class is an essential pre-requisite for sustainable long term economic growth. In general, such a group is associated with the ownership of key items such as property and homes, cars, electronics and appliances. It is highly involved in travel and leisure, and is very concerned either to further their own education levels or the education of their children. Normally, people progress into the middle class over generations. But, at times of great social disruption, there can be exceptional leaps in a single generation.

This is the case here in South Africa. There is good evidence of the speed of this phenomenon:

- GDP growth has risen from 1.9% in 2001 to 5% in 2005, despite static or even slightly declining white buying power and black unemployment of over 40%.
- There have been massive changes in black ownership, achievement and status over the last 15 years. For example, from 1994 to 2005, the black share of -
 - o vehicle ownership has risen from 29% to 42%;
 - o microwave ownership has risen from 6% to 45%;
 - o fridges has risen from 45% to 65%;
 - o electric stoves has risen from 36% to 57%;
 - o the black graduation rate has increased by 334% in the last 14 years; and
 - o blacks constituted 30% of Masters and PhD enrolments in 2005

What are some of the myths about this "middle class"?

1. This economic growth comes from a general increase in wealth for all black people:
 - BUT 40% are unemployed.
2. The black middle class is homogeneous and undifferentiated:
 - BUT the Black Diamond Project shows this to be far from the truth in terms of buying power, aspirations and consumption patterns - we have identified seven key segments.

3. This market is all about "buppies" with flashy cars and designer labels:
 - BUT "buppies" only comprise 100 000 to 250 000 people (depending on one's definition - not enough to fuel this growth).
4. As people obtain wealth, they move from the townships to the suburbs:
 - BUT the Black Diamond Project shows that some do and don't want to.

So - what ARE the numbers?

First, it is not just about wealth - Black Diamonds consist of several layers of people: the segment consists of wealthy or well-salaried people, or people in "suitable" occupations who are not so well-off, or well-educated people still on the upward climb, or younger people with a very positive and go-getting view on life who still have the time, energy, desire and drive to better themselves.

RS estimates that there are about **two million** people aged 18 years and over who fit into this segment in South Africa's metropolitan areas. About a quarter of these live in suburbia and about three-quarters live in the townships. But where they live is not always a reflection of their mindsets especially when it comes to their roots and origins.

This group of two million people is responsible for some **R130 billion (or 22%) of the claimed annual R600 billion** in cash buying power that the total of all South Africans have. To put it another way, **10% of black South Africans contribute 43% of total black buying power**. The average monthly personal cash income of Black Diamonds is R5 900 - comparable with the R5 800 average personal cash income of the white population. The segment is estimated to be growing at between 40% and 50% at present, although this must slow up in the future. This is South Africa's economic tsunami.

How is the Black Diamond market segmented?

RS has identified four super-segments that can be further divided into seven sub-segments, the big surprise being the discovery that much of this buying power lies in the hands of an older, more established super-segment:

1. The Establisheds - mainly 35 to 49, married with school-going children, the wealthiest and best educated, they consist of 780 000 people (39% of the Black Diamonds), contributing 58% of the Black Diamond buying power or R75 billion. There are two-sub-segments:
 - a. Those preferring the *status quo* - the oldest group, with strong township roots (though 19% live in the suburbs), comfortable and settled, and the most conservative in their money management; they consist of 355 000 people (44% of the Established, 17% of the Black Diamonds), contributing 22% of the buying power at R28 billion (average monthly personal income R6 900).
 - b. Those with a *future focus* - the most affluent group with many professionals, highly optimistic and driven, with a greater propensity to invest in property and be more financially active; they have the highest car ownership and consist of 425 000 people (56% of the Established, 21% of Black Diamonds) contributing 36% of the buying power at R47 billion (average monthly personal income R10 000). A third live in the suburbs.
2. Young families - most of this more female group have young children, mostly under the age of six; half are single, a third live with their parents; they consist of 440 000 people (22% of Black Diamonds) contributing 20% or R25 billion of the segment's buying power. Again, two sub-segments emerge:
 - a. Those preferring the *status quo* - the group with the strongest township roots (though 18% live in the suburbs), the least financially savvy and least well-educated with a strong female skew, they consist of 240 000 people (55% of the Young family segment, 12% of the Black Diamonds), contributing 7% of the buying power at R9 billion (average monthly personal income of R3400).
 - b. Those with a future focus - they are better educated, mostly in full-time employment and are the most goal-orientated segment with the highest propensity for financial risk and interest in (suburban) property; they have the highest need for credit and consist of 200 000 people (45% of the Young family segment, 10% of Black Diamonds) contributing 13% of the buying power at R17 billion (average monthly personal income of R7 200). 81% still live in the townships but many of these will move to suburbia as soon as they can.

3. Start-Me-Ups - these are youngsters starting out and on the way up: most are single and childless and in the 18 to 29 year age group with a male and white-collar job bias - they like fun and parties; they make up 430 000 people (21% of Black Diamonds) and contribute 19% or R28 billion in terms of buying power. The two sub-segments here are as follows:
- a. Those preferring the *status quo* - a strongly male group, 78% live in the townships and will probably stay there (even suburb dwellers have a strong township orientation); they are the least optimistic group and are less well-educated with a strong Johannesburg bias; they consist of 270 000 people (63% of the Start-Me-Ups, 14% of the Black Diamonds), contributing 11% of the buying power at R14 billion (average monthly personal income of R4 700).
 - b. Those with a *future focus* - gender is more even in this group; they are better educated with better jobs - most work full-time - and are very positive about their future, with a understanding of investments and financial risks. They consist of 160 000 people (37% of the Start-Me-Ups, 8% of Black Diamonds) contributing 8% of the buying power at R11 billion (average monthly personal income of R6 000).
4. Mzansi Youth - this last segment is primarily young, single students with low incomes (R800) and living with their parents. However, they are very optimistic, physically the fittest and the most active with clear plans to further their education. They like the lack of restrictions that they find in the townships. They make up 350 000 people (18% of Black Diamonds) but contribute just 3% of the buying power - nonetheless, they are the future.

Summary

Black Diamonds are here and will become **the** market of the future - but marketers need to understand its heterogeneity and different mindsets; it will probably become more complex and fragmented in the future. Movement into the suburbs will continue but those with strong township links will drive the need for infrastructure development in the townships. Other findings point to the fact that English will become a lingua franca of the business community and the market place - but there is a strong desire not to lose one's home language and culture.

Technical note

The study was conducted amongst a sample of 750 metropolitan dwellers recruited using the Black Diamond Cascade concept: the study has a margin of error of under 4% for the results found. The study was conducted by Research Surveys (Pty) Ltd (RS) in conjunction with the UCT Unilever Institute of Strategic Marketing as part of their ongoing research into uniquely South African marketing issues and was funded by RS. For more details, please contact Neil Higgs, Director, on (011) 778-7500 or 082-376-6312, or Refiloe Mataboge on (011) 778-7500 or 072-622-0782.

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