Voluntary Report – Voluntary - Public Distribution   **Date:** November 16,2020

Report Number: SF2020-0061

Report Name: Understanding the Living Standards Measure Segmentation in South Africa

Country: South Africa - Republic of

Post: Pretoria

Report Category: Retail Foods

Prepared By: Margaret Ntloedibe and Pamela Ngqinani

Approved By: Laura Geller

Report Highlights:

The report highlights the Living Standards Measure (LSM) marketing tool used in South Africa. These measures divide the population into 10 LSM groups, where ten is the highest living standard level and one is the lowest level. The tool is used to identify target markets for the distribution of consumer goods products in the country. This tool, which groups people according to their living standards using criteria such as degree of urbanization and ownership of cars and major appliances, can be useful for U.S. exporters interested in the South African market.

Sources:

South African Audience Research Foundation (SAARF) – https://www.saarf.co.za/lsm/lsms.asp

Statistics South Africa (StatsSA) – www.statssa.gov.za/publications/P0302/P03022020.pdf

LSM Groups

The Living Standards Measure (LSM) marketing segmentation research tool is used in South Africa to segment the population. The tool divides the population into LSM groups where ten is the highest level for those with the most wealth and one is the lowest level of the poorest population who own no measurable wealth. The LSM tool groups people according to a standard of living wealth measure, rather than income, using criteria such as degree of urbanization and ownership of cars and major appliances or assets, as well as access to basic services such as water and electricity as indicators. The LSMs were developed by South Africa Audience Research Foundation (SAARF) in the late 1980s and were included for the first time in the SAARF 1989/90 reports which included 13 key variables. SAARF in conjunction with the ACNielsen Media International selected these 13 variables from 71 characteristics to differentiate variables. In 1993, the company earned a prestigious award for their work as "Media Innovator of the Year."   Since its inception, SAARF keeps the LSM's up to date by running the stats annually.

<u>**LSM 1 – 4 – least access to wealth**</u>
- Primary to some high school completed.
- Mostly Urban or Rural (i.e., not suburban).
- Household is traditional hut to matchbox house or shack.
- Salary ranges from R1,363 to R3,138 per month (approximately US $85 - $200).
- Media: Commercial radio is a major channel of communication with African Languages Services (ALS), TV with minimal channels, and minimal outdoor life.
- General: Minimal access to services, minimal ownership of durables except radio sets and stoves, low income transactional "Mzansi" bank account, minimal participation in economic activities, some electricity, hot plates, water on plot or communal, non-flush toilet, TV sets. Activities: Attend gatherings, go to night clubs.

<u>**LSM 5 – 7**</u>
- High school and/or some higher education.
- Mostly Urban or Rural (i.e., not suburban).
- Salary ranges from R4,165 to R11,263 per month (approximately US $260 - $700)

- Media: Commercial radio mainly ALS to wide range of commercial and community radio, TV with few channels, community TV, all print, daily or weekly newspapers, access to internet, magazines, cinemas, low income transactional "Mzansi" bank account, and outdoor life.
- General: Has electricity, water, flush toilet, TV set, hi-fi or radio set, stove, fridge, ownership of number of durables plus cellphone, can purchase take-away food, lottery tickets. Level 7 full access to services, increased ownership of durables plus motor vehicle, and participation in all economic activities.

LSM 8 – 10 – most access to wealth
- High school and higher schooling.
- Mostly Urban and Suburban.
- Salary ranges from R13,210 to R32,521 per month (approximately US $825 - $2,000).
- Media: Wide range of commercial and community radio, wide range of TV channels, daily or weekly newspapers, magazines, accessed internet, cinema and outdoor life.
- General: Full access to services and bank accounts, full ownership of durables such as cars, furniture, and appliances; participation in any leisure activities of interest and access to all economic activities.

South Africa Population

Statistics South Africa (StatsSA) estimates the 2020 mid-year population at 59.2 million. South Africa is divided into nine Provinces and vast differences occur amongst them in their population composition and economic activities. See StatsSA 2020 Mid-Year Population report for additional statistics on the South African population.

As shown in **Figure 1**, there is fairly marked difference in population distribution across the nine provinces, with Gauteng Province accounting for 26.0% of the total population. The Northern Cape has the smallest population of 1.29 million people accounting for 2.2% of the total. From the perspective of U.S. exporter of consumer goods, the most important provinces to target the most people are Gauteng as the largest with 15.5 million people (26.0%), Kwa-Zulu Natal with 11.5 million (19.3%), and the Western Cape with 7.0 million people (11.8%), which between them accounts for 57.1% of the population.

Figure 1: Mid-Year population estimates for South Africa by provinces, 2020
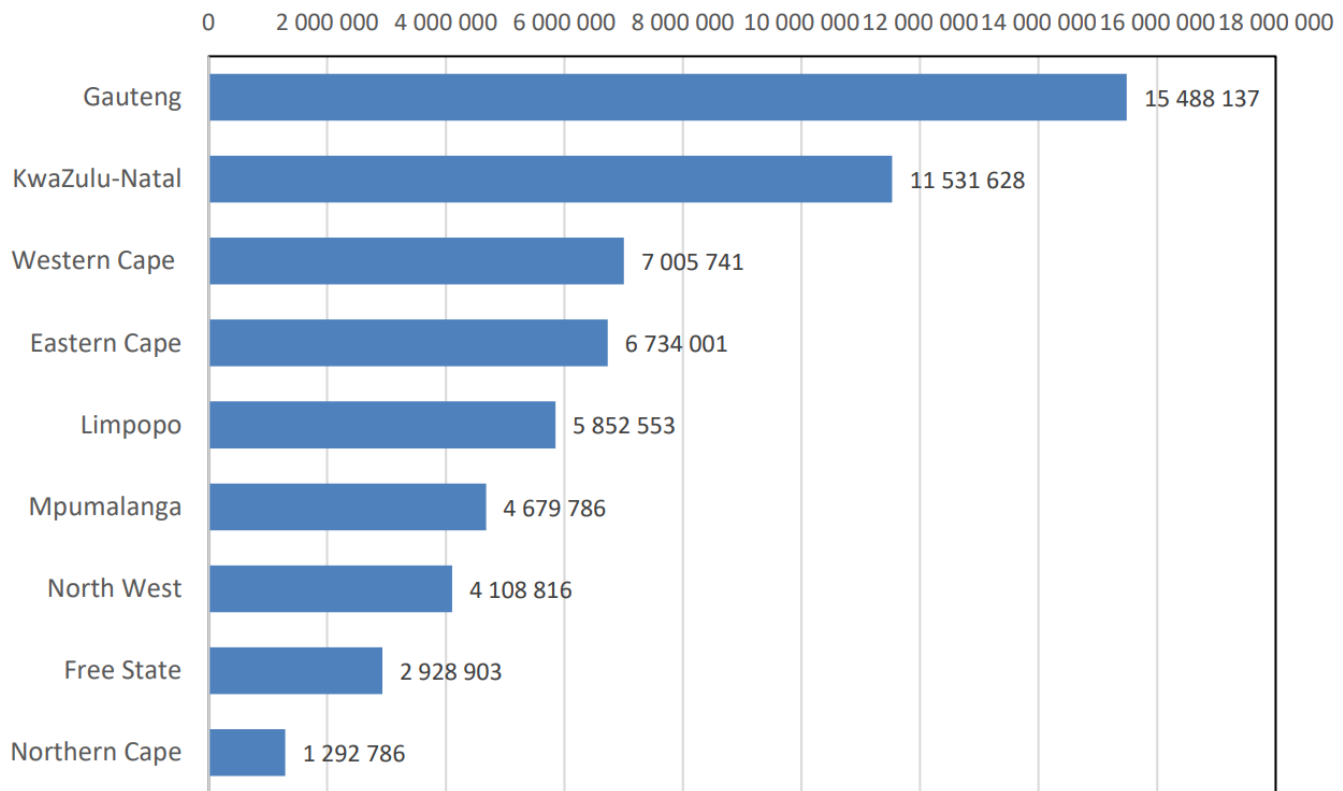
Source: StatsSA

South African Retailers Target Markets

South Africa is considered the gateway to Southern Africa and U.S. exporters interested in the South African consumer market have to have an understanding of the demographics such as the size of the market, diversity of the population, as well as method of segmentation followed by the advertising media. Major South African retailers and wholesalers target market include: Shoprite – targets middle to lower end of the market (LSM 1 to 6); Pick n Pay ranges from LSM 1 to 8 based on stores; Spar targets middle to upper income group (LSM 6 to 10); Woolworths targets the middle to upper income group (LSM 6 to 10); and Massmart, owned by Walmart, covers the full range of LSMs including Cambridge foods which targets the low end consumers.   More information on the South African retail sector can be found in the 2020 South Africa Retail Sector Report SF2020-0036.

Attachments:

No Attachments.