The evaluation of service delivery in the fast growing black diamond market

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ABSTRACT

The black middle-class market segment also known as the black diamond market segment has shown immense growth in SA. It currently consists of approximately 3 million black middle-class South Africans with a buying power of approximately R200 billion. Despite the immense size and spending power of black diamonds, combined with its rapid growth over the past 15 years and expected future growth, little research has been conducted on this market segment.

The rapid market growth of the black diamond market segment has lead to an immense rise in the demand for middle-income houses. This has caused a shortage of middle-income houses, and government and real estate developers have been unable to supply housing in this bracket to meet this ever increasing demand. The study examines this missing middle between supply and demand for the black diamond market in Tlokwe municipal region in order to provide the Tlokwe Municipality, real estate developers, construction companies, town planners, real estate agencies and the Tlokwe Department of Housing with sufficient information to address this challenge in Tlokwe municipal region.

The study was conducted by way of a literature review and empirical study. For the empirical study, the information was obtained through two questionnaires. One questionnaire was compiled for black diamond respondents and one for real estate developers and estate agents in the Tlokwe municipal region.

The study found that there is a gap between the supply side and demand side of middle-income housing (houses within the R50 000 to R550 000 price range) in the Tlokwe municipal region, and that there is a high demand for such houses. It was also found that there is a tendency for black diamonds to relocate from the townships to the suburbs. The major reasons for this movement were identified as family and the lack of availability of middle-income houses in the townships.

It was also found that the black diamond respondents have a tendency to spend their money on bad debt (debt on expenses) instead of good debt (debt on assets), and are inclined to save rather than spend. Furthermore, as evident from the number of respondents with clothing accounts and cellphone contracts, it was confirmed that black diamonds are status driven, as suggested in the literature.

Keywords: Black diamond, middle-income housing, spending power, consumer behaviour, relocation, township, Tlokwe municipal region, Tlokwe municipal region, Mzanzi youth

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 Introduction

Nelson Mandelaôs address to the South African nation during his inauguration as President of South Africa (SA) in 1994 started with the words, ñToday we are entering a new era for our country and its people.ò These words have become reality since 1994 with all the political, social and economic opportunities that have arisen from the new democracy in SA. Pre-apartheid black South Africans almost had no voice in their political future with limited access to education, employment, credit, social and economic advancement opportunities, as well as being precluded from land and home ownership. Since 1994, many changes have taken place, such as black South Africans having access to better education, credit, employment and home ownership. These facilities and opportunities created have caused a major movement for black South Africans from the low-income to middle-income class of SA.

The emerging black middle class known as the black diamond market in SA is one of the fastest growing market segments within SA and consists of approximately 3 million people with a spending power of approximately R200 billion (UCT Unilever Institute of Strategic Marketing, 2008). The reason for this growth of the black diamond market (black diamonds are members of SAôs fast growing, affluent and influential black community) over the past 10 to 15 years is that prior to 1994 close to 80% of SAôs population was excluded from participating in the South African formal economy. Owing to the end of apartheid and the rise of political and economic freedom in SA, this percentage of the population became active participants and this significant demand on the SA economy drove consumer spending to new heights.

Other reasons for this specific market segment growing at a rapid rate is the support and policies government has implemented to rectify imbalances of the pre-apartheid era. These include the implementation of Black Economic Empowerment, Broad-based Black Economic Empowerment, government employment and other equity employment practices in SA, which has led to many black South Africans moving from the low-income market segment into the middle-income market segment.

The importance of the black diamond market for SAôs economic growth cannot be overstated. Despite the black middle classôs immense size and spending power combined with its growth over the past 15 years and expected future growth, there is very little research and knowledge regarding this market that can assist government, companies and other business entities to effectively service this market segment and change current supply to the ever growing demand created by the growth of the black diamond market in SA. This study seeks to examine this gap. In this study, the movement of the black diamond market segment from townships to suburbs in Tlokwe municipal region (demand), as well as the availability of middle-income housing (supply side) will be investigated. Major reasons for movement or lack of movement from townships to suburbs will be identified. Factors middle-income black diamond segments consider when purchasing a house will be identified.

In this chapter, a background to the study will first be sketched in Section 1.2. Thereafter, the research problem that this study seeks to address will be discussed in Section 1.3. Next, the research questions posed with regard to the research problem will be presented in Section 1.4. Then the research objectives set in order to address the research problem will be presented in Section 1.5. Then the study's research methodology will be briefly explained in Section 1.6. The scope of the study will subsequently be discussed in Section 1.7. Thereafter the limitations of the study will be set out in Section 1.8. Finally, an outline of the mini-dissertation will be provided in Section 1.9.

1.2 Background to the study

The black diamond market segment in SA consists of approximately 3 million black middle-class South African residents, with a buying power of approximately R200 billion (Anon., 2008). Understanding and utilising this ever growing black diamond market segment is difficult but extremely important. For this reason, research on this major economic driving force is important too.

Studies done by the UCT Unilever Institute of Strategic Marketing (2008) have indicated that over the past 5 years, a large amount of the black middle class has relocated from townships to the suburbs. Tau-Sakati (2007:46) indicates that approximately 12 000 families are leaving the townships and relocating to the suburbs per month. The article also indicates that owning and investing in property is high on the black middle class's priority list and the perception of homes as a place of shelter has shifted to that of an important wealth-creating asset and status symbol for this market segment (Tau-Sakati, 2007: 46).

Research conducted by the UCT Unilever Institute of Strategic Marketing in 2008 also demonstrates that the percentage of black diamonds that lives in the suburbs has increased from 23% in 2004 to approximately more than 47% in 2008. The reasons identified for the movement from townships to suburbs were that the black diamond market views property in the suburbs as better property investments; living in the suburbs provides access to jobs, malls and better schools; offers improved security; and is viewed as a visible symbol of success.

This indicates that there has been an immense rise in demand for middle-income houses in the suburbs. Unfortunately, this demand has not been sufficiently met by the supply of houses valued at between R50 000 and R550 000. Government and real estate developers have been unable to supply housing in this range to meet this ever rising demand, which has resulted in a shortage of houses in this middle-income bracket. Various projects have been undertaken in SA since 2001, such as Cosmo City in Randburg, Gauteng and the Codevo development in partnership with Basil Read and the Johannesburg Department of Housing in Johannesburg, Gauteng, which consists of 12 500 housing units, of which only 52% serve the middle-income market and the remaining 48% serve the low-income market. Another similar development is the Phakisa Estate in Welkom, Free State, which has been undertaken by Basil Read in partnership with Harmony Gold. This development consists of 6 000 housing units, of which 40% is for low-income households and 60% is for middle-income households, which means only 3 600 units for the black diamond market. The CEO of the National Housing Finance Corporation stated in Hill (2008) that ñthese types of partnerships would help alleviate a huge backlog of both medium and low-income housing in South Africaò. Unfortunately, partnerships are rare, and although helpful cannot nearly meet the demand required, owing to the fast growth of the black middle-class market, consisting of 3 million people and growing at a rate of approximately 50% per annum, and supply only being able to provide a few hundred thousand homes. This huge gap created will be referred to as the *missing middle* from this point forward. This is an immense challenge for government, the Department of Housing, local municipalities, town planning, business owners in townships and suburbs, developers, real estate agents and SA as a whole.

1.3 Problem statement

The immense growth of the black middle-class market in SA, which currently consists of approximately 3 million black middle-class SA residents, with a buying power of approximately R200 billion, has led to a rise in demand for middle-income houses. The supply of houses for this specific market has not been able to meet this demand. This has caused a shortage of houses in this middle-income bracket, which government and real estate developers have been unable to address. In order to provide the Tlokwe Municipality, real estate developers, construction companies, town planners, real estate agencies and the Tlokwe Department of Housing with sufficient information to actively address this challenge in Tlokwe municipal region, in terms of providing sufficient middle-income housing to meet the demand created by the boom in the black diamond market segment, it is important to determine whether there is a lack of middle-income houses (missing middle) for the black diamond market in Tlokwe municipal region, and if so what the main reason for this is.

1.4 Research questions

Based on the research problem detailed above, a primary research question was posed. Secondary research questions arose from this primary question. Both the primary and secondary questions are set out below.

The study posed the following primary research question:
Is there a missing middle between the supply and demand of middle-income housing in Tlokwe municipal region priced between R50 000 and R550 000 across all four black diamond market sub-segments?

Based on the question above, the following secondary questions were posed:

1. Is there is a demand for middle-income housing in Tlokwe municipal region?
2. What are the major reasons for the movement or lack of movement of the black diamond market segment in Tlokwe municipal region from the townships to the suburbs?
3. Is there a current availability of middle-income housing in Tlokwe municipal region?
4. Are cultural and traditional reasons the main reasons for not moving to the suburbs and rather staying in the townships?
5. What is the importance the black diamond market segment in Tlokwe municipal region places on owning or investing in property in relation to other assets available to invest in?
6. What are the credit and spending tendencies of the black diamond market segment in Tlokwe municipal region?

7. Do black diamonds in Tlokwe municipal region have a tendency to save or live out their disposable income?

1.5 Research objectives

In response to the primary research question posed above, a primary research objective was set. Similarly, secondary research objectives were set in response to the secondary research questions.

The study set the following primary research objective:
to determine whether there is a missing middle between the supply and demand of middle-income housing in Tlokwe municipal region priced between R50 000 and R550 000 across all four black diamond sub-segments.

Based on the question above, the following secondary questions were posed:

1. to determine whether there is a demand for middle-income housing in Tlokwe municipal region;
2. to identify the major reasons for the movement or lack of movement of the black diamond market segment in Tlokwe municipal region from the townships to the suburbs;
3. to determine whether there is a current availability of middle-income housing in Tlokwe municipal region;
4. to determine whether cultural and traditional reasons are the main reasons for not moving to the suburbs and rather staying in the townships;
5. to determine the importance the black diamond market segment in Tlokwe municipal region places on owning or investing in property in relation to other assets available to invest in;
6. to determine the credit and spending tendencies of the black diamond market segment in Tlokwe municipal region; and
7. to determine whether black diamonds in Tlokwe municipal region have a tendency to save or live out their disposable income.

1.6 Research methodology

In order to achieve the study's research objectives, a literature review and an empirical study were conducted. The research methodology is briefly set out below.

1.6.1 Literature review

The literature review was conducted in order to collect information from reliable resources on the black diamond market. Through the review, key concepts were defined and the different sub-segments of the black diamond market were analysed. The literature review also provided reliable information gathered from the research findings of previous studies conducted on the black diamond market, which identified the trend of movement from townships into suburbs, for example. The literature review also served to identify important reasons that could possibly have an influence on this movement, which could be further investigated in the empirical study that followed.

1.6.2 Empirical study

In order to achieve the study's primary and secondary objectives and based on the findings evident in the literature review, an empirical study was undertaken. For this study, two different structured questionnaires were used, the first for the black diamond respondents and the second for the real estate developers and agents who participated in the study. The questionnaires were distributed by hand to black, middle-class respondents and to real estate developers and agents in the Tlokwe region. Both questionnaires were constructed and validated with the assistance of the Statistical Consultation Service at the Tlokwe municipal region Campus of the North-West University.

1.7 Scope of the study

The geographical demarcation of the study is in and around Tlokwe municipal region/Tlokwe municipal region. The industry the study is relevant to is the property/real estate development industry. The first questionnaire was developed for the market segment identified, namely the black middle-income market segment with a minimum individual monthly income of R1 500 living and working in the Tlokwe municipal region. The second questionnaire was developed for real estate developers and agents operating in the Tlokwe municipal region.

The research project conducted is multidisciplinary. Economics is the discipline in which the most research took place, as supply and demand, consumer spending and the rapid growth of the black diamond market segment as a driver of economic growth and the tendency of black diamonds to save versus spend were investigated. Marketing is also a relevant discipline, since consumer behaviour of the black diamond market segment was investigated. Factors the black diamond market segment considers important when purchasing a property, including cultural and traditional reasons for consumer behaviour in the property industry, were investigated in the study.

1.8 Limitations of the study

There were various limitations to the study:

1. Owing to the nature of study, race was a significant factor. It was found that respondents reacted unfavourably to racial grouping in this manner and this resulted in resistance to completing the questionnaires.
2. The limited number of completed questionnaires received limited the generalisability of the study to the study population.
3. The inability to reach a sufficient number of respondents in the desired market segment was a limitation.
4. Respondents tended to be unwilling to participate and did not wish to provide information concerning their personal income and credit.
5. Language barriers were a limitation to a certain extent.
6. The time available to conduct the study and collect data was limited
7. There were budgetary limits with regard to the study.

1.9 Chapter outline

Chapter 2 will discuss the literature relevant to the black diamond market segment. It will give particular attention to defining this market segment and its sub-segments, as well as its spending power and tendencies as suggested in the literature.

Chapter 3 will discuss the studyós methodology and present the findings of the empirical study.

Chapter 4 will conclude the mini-dissertations by reviewing the most pertinent findings given in Chapter 3 in relation to the research objectives set in Chapter 1. In addition, the chapter will make recommendations for future studies.

1.10 Chapter summary

The rapid growth of the black middle-class market in SA (black diamonds), with a buying power of approximately R200 billion, has led to a rise in demand for middle-income houses. Government and real estate developers have been unable to meet the demand for houses for this specific market.

Despite the immense size and spending power of the black diamond market segment, very little research has been conducted on this market segment that can assist government, companies and other business entities to service this market segment effectively. For this reason, this study has investigated this market segment in the Tlokwe municipal region. In seeking to determine whether there is a missing middle for the black diamond market in Tlokwe municipal region, and if so what the main reason for this, this study aims to provide the Tlokwe Municipality, real estate developers and other stakeholders with sufficient information to address the middle-income housing deficit in Tlokwe municipal region.

CHAPTER 2: LITERATURE REVIEW OF THE BLACK DIAMOND MARKET

2.1 Introduction

This chapter will present the findings of the literature review conducted. In Section 2.2, the chapter will define the black diamond market segment and its sub-segments. It will also explain the manner in which the black diamond market segment can be classified. Thereafter, it will consider black diamond spending power, consumer behaviour and tendency towards credit/debt. Next, it will discuss movement from townships to suburbs, the black diamond influence on the property market and demand for middle-income housing in South Africa. Finally, it will consider the black diamond market in the future.

2.2 The black diamond market segment

Black diamonds are members of SA's fast growing, affluent and influential black middle-class community.[1] The up-and-coming black diamond market segment in SA is the most exciting marketing opportunity in SA's history and for this reason is an important market to research in order to achieve sustainability and long-term economic growth.

In South Africa, the number of people who earn less than R900 per month has decreased from 33 to 26% and those who earn more than R7 000 per month has increased from 13 to 18%. This indicates that the lower-income group in SA is moving into higher-income brackets and thereby creating an increase in the number of middle-class South Africans and a decrease in the number of lower-income South Africans (Smith, 2008). In any society, a middle class is an essential pre-requisite for sustainable long-term economic growth. This group is associated with the ownership of important assets such as properties, homes and cars. The middle class is concerned with their own education or that of their children, and has an interest in travel and leisure.

Usually people progress into the middle class over generations but sometimes social disruption causes leaps within a single generation; this is the manner in which the black diamond market segment has grown so rapidly over the past few years in SA. The sudden

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[1] TNS Research (Pty) Ltd and the UCT Unilever Institute of Strategic Marketing originally coined the term "black diamond" during their ground-breaking research into this important market in SA in 2006 (UCT Unilever Institute of Strategic Marketing, 2008).

change in income bracket of black diamonds from the lower- to middle-income group was the result of massive changes in black ownership, achievement and status over last 15 years. The number of black graduates increased by more than 334% from 1994 to 2005, vehicle ownership increased from 29 to 42%, and 30% of enrolment for masterǒs and doctoral degrees in 2005 was by black students.

The black diamond market segment consists of wealthy or well-salaried people, people in suitable occupations who are not well-off or well-salaried people, people still on the upward climb, and younger go-getters with a positive outlook on life who have the time, energy, desire and drive to better themselves. The characteristics and spending power of the sub-segments are discussed in the next section.

2.2.1 Sub-segments of the black diamond market segment

The black diamond market segment is a complex market segment consisting of four major sub-segments (UCT Unilever Institute of Strategic Marketing, 2008):

1. **Mzanzi youth**: This sub-segment consists of primarily young, single students (16ï 24 years of age), but are the most actively optimistic with clear plans for their future and education. This sub-segment constitutes 19% of the black diamond market segment (young males and females), consisting of 575 616 people, with year-on-year growth in 2007/2008 of 26%. The Mzanzi youth sub-segment has a total value of R54 billion spending power, with year-on-year spending power growth of 43%, or R3 billion.

2. **Start-me-ups**: These are youngsters starting out and on the way up (18ï 29 years of age). This sub-segment constitutes 21% of the black diamond market segment (young professional singles, male base), consisting of 629 580 people, with year-on-year growth in 2007/2008 of 29%. The start-me-ups sub-segment has a total value of R54 billion spending power, with year-on-year spending power growth of 46%, or R17 billion.

3. **Young families**: This sub-segment is a mostly female group (24ï 29 years of age) with young children, mostly under age of 6, half are single, a third live with their parents. This sub-segment constitutes 24% of the black diamond market segment (parents of young children, female base), consisting of 707 528 people, year-on-year growth in 2007/2008 of 1%. The young families sub-segment has a total

value of R61 billion spending power, with year-on-year spending power growth of 24%, or R12 billion.

4. **Established**: This sub-segment consists of wealthy, educated, older, married people with school-going children (35ï 49 years). This sub-segment constitutes 36% of the black diamond market segment, consisting of 1 081 279 people, year-on-year growth in 2007/2008 of 14%. The established sub-segment has a total value of R125 billion spending power, with year-on-year spending power growth of 44%, or R38 billion.

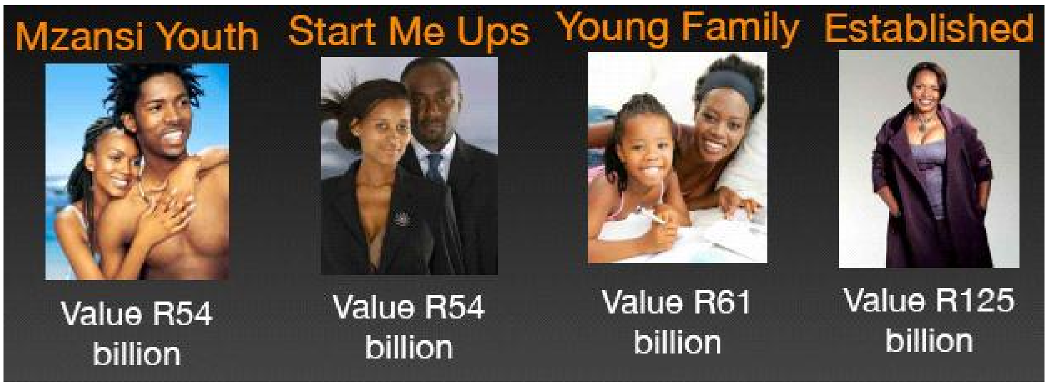

Figure 2.1: Spending power of black diamond market sub-segments (UCT Unilever Institute of Strategic Marketing, 2008)

2.2.2 Classification of the black diamond market segment

There are three measures for black diamond classification according to Klein (2008):

1. people with a household income of more than R7 000 per month;
2. people with a tertiary qualification; and
3. people with lower levels of education but who are young enough to achieve higher education levels or who are ambitious.

The classification is not limited to the above-mentioned criteria and may vary in terms of what is viewed as middle income in different areas and other factors such as age and level of ambition. In this study, an income of R1 500 per month was the required criterion for participation in the study as a middle-income black diamond respondent. In addition, the employer was considered a selection criterion, as all of the respondents were employed by the private sector or government.

2.2.3 Black diamond spending power

By 2008, the black diamond market segment had grown to 3 million people with approximately R250 billion spending power (Klein, 2008), with more than one earner in 84% of black diamond households and two or more earners in 42% of black diamond households (Hayward, 2008). This was the first time in South African history that black spending power matched that of white spending power (Hayward, 2008). White spending power has remained stagnant over the past 13 to 14 years; in contrast, black diamond spending power has increased from 28 to 40% of SA's total spending power (Smith, 2008).

Black diamond spending power grew from R180 billion in 2007 to R250 billion in 2008, which indicates the rapid growth rate of this market segment. This spending power constitutes a large percentage of the claimed R600 billion in cash buying power of SA (Rundell, 2006). In terms of the black diamond market, 10% of black South Africans contribute 43% of total black buying power (Evans & Chemaly, 2007). This emphasises the importance of researching the black diamond market segment as a major South African economic driving force, owing to its immense size and consumer spending power (Anon., 2008).

2.2.4 Consumer behaviour and tendency towards credit/debt amongst the black diamond market

Black diamond women are increasingly becoming the decision-makers of black diamond households when it comes to purchases (Klein, 2008). The buying power of South Africa's emerging black middle class has not only had an impact on retail, but also on other sectors of the economy such as real estate, vehicle sales, financial services and tourism (Rundell, 2006). The black diamond market is status driven and is aware of and prefers purchasing products (clothes and alcohol) with well-known brand names (Smith, 2008).

The impact of the black diamond market on the financial services sector has been immense, black diamond clients are rapidly taking up not only mortgages, but lending across the board. Black diamond clients are seen as very lucrative and reliable bank customers, owing to their job security and higher pay rates (Rundell, 2006).

In terms of black diamonds overleveraging credit, debt and spending their total disposable income controversy exists. According to Nyanto (2006), "The difference between the black middle class and the white middle class is simple: If the black middle class does not get a monthõs pay cheque, they would revert to poverty class immediatelyö The explanation Nyanto gives for this statement is that the black middle class overspends due to its huge appetite for consumption, rather than savings and investment.

In contrast, Bleby (2008) states that the black middle class is not highly indebted and that almost half of the black diamond market had a debt-to-income ratio of less than 50% The result of this, according to a surprising finding of the UCT Unilever Institute of Strategic Marketing survey, the black middle class has remained fairly resilient to the interest rate and inflationary hikes that have placed pressure on many South Africans. Klein (2008) indicates a movement from spending on bad debt (credit cards) in the black diamond market segment to spending on good debt (houses and investments). Less than 10% of black diamonds have had anything repossessed (Klein, 2008).

2.2.5 Movement from townships to suburbs, black diamond influence on the property market and demand for middle-income housing in South Africa

Owing to the rise of the black diamond market segment and thus an increase in black spending power, young black families and first-time buyers are moving out of townships into suburbs in previously white-dominated areas, creating increased demand for middle-income housing in both townships (owing to increased black diamond market growth) and suburbs (owing to movement from townships to suburbs). In Smith (2008), 47% of black diamond respondents live in the suburbs, of which the majority lived in townships 10 years ago. Approximately 12 000 families are leaving the townships and relocating to the suburbs per month (Tau-Sakati, 2007:46).

Reasons for moving from the townships to the suburbs include: better property investment; improved access to jobs, malls and better schools; shorter distances to work; and improved security (UCT Unilever Institute of Strategic Marketing, 2006; Smith, 2008). Some black diamond respondents in TSN Research surveys reported feeling societal pressure to move to the suburbs, as it represents a visible mark of success, Nyanto, (2006).

The movement from townships to suburbs will continue to increase in the next few years owing to the large growth in spending power of up to 43% in the younger sub-segments of the black diamond market. These sub-segments are driven by status and might perceive traditional values as being less important, and therefore they strive to move from the townships into the suburbs once they have completed their studies (Tau-Sakati, 2007:46). Owning and investing in property valued at between R250 000 and R700 000 is a high priority for the black middle class (Tau-Sakati, 2007:46).

The spending power of the black diamond market segment, SA's new middle class, has created changes in the property sector, helping to push house prices up by 121% in the last five years. Although property market growth slowed down in 2006 to 2008, double-digit growth was still present, as the new middle-class consumers continued to purchase property and move up the property ladder in this period (Rundell, 2006). Even if this increased demand in the middle-income housing market declines, the explosive growth from the bottom end of market could reinforce this increased demand (Rundell, 2006).

The biggest challenge for the SA housing market is creating sufficient stock to meet the rapidly growing demand for property in the middle-income range, priced between R250 000 and R700 000 (Tau-Sakati, 2007:46). There is currently a shortage of 650 000 houses in the R500 000 and below price range of the property market. This view is supported by Lightstone's House Price Index, which demonstrates that the most sales in the SA housing market are in the lower- and middle-end of the market, with growth of 43% in the R250 000 price range and growth of 22% in property priced at between R250 000 and R700 000 (Tau-Sakati, 2007:46).

As stated above, there is an increased demand for middle-income housing in townships too as a result of increased black spending power. A recent survey by the First National Bank of SA (FNB) found that for every township home put up for sale, there are 7 potential buyers in Johannesburg, 8 in Cape Town and 16 in Durban. Furthermore, 96% of township homes are sold for their asking price, compared with 60% on average. In an attempt to cash in on the black diamond market growth and increased demand for houses from R180 000 upwards over the last 18 months, 2 of SA's largest estate agencies have moved into townships (Rundell, 2006).

2.2.6 The black diamond market in the future

According to Miti (2008), in 20 to 30 years, the landscape will change when the black middle class grows from 2.6 million to 20 million and (black) business should then have a 90% market share. For this reason, business strategies, advertising and marketing should be customised and businesses should gear themselves for the growth in the black diamond market or miss the opportunity (Miti, 2008).

2.3 Chapter summary

The black diamond market segment is SA's fast growing, affluent and influential black middle-class community. Black people with an LSM of 4 or higher can be classified as black diamonds. Black people who earn more than R7 000 per month, or who have a tertiary qualification, or who have lower levels of education but who are young enough to achieve higher education levels or who are ambitious can also be classified as black diamonds.

This segment consists of wealthy or well-salaried people (established sub-segment), people in suitable occupations who are not well-off or well-salaried people (young families sub-segment), people still on the upward climb (start-me-ups sub-segment), and younger go-getters with a positive outlook on life who have the time, energy, desire and drive to better themselves (Mzanzi youth sub-segment).

By 2008, the black diamond market segment had grown to 3 million people with approximately R250 billion spending power. The buying power of South Africa's emerging black middle class has had an impact on retail, real estate, vehicle sales, financial services and tourism, amongst other sectors (Rundell, 2006).

Owing to increased spending power, young black families and first-time buyers are moving out of townships into suburbs in previously white-dominated areas, creating increased demand for middle-income housing in both townships and suburbs. Reasons for moving from the townships to the suburbs include: better property investment; improved access to jobs, malls and better schools; shorter distances to work; and improved security. The SA housing market is currently unable to meet the rapidly growing demand for property in the middle-income range, priced between R250 000 and R700 000.

In 20 to 30 years, the landscape will change when the black middle class grows from 2.6 million to 20 million and (black) business should then have a 90% market share. For this reason, the up-and-coming black diamond market segment in SA is an important market to research in order to achieve sustainability and long-term economic growth.

From literature review, it is apparent that there is still limited understanding of the black diamond market and that the movement from townships to suburbs, combined with the rapid growth of the black diamond market, has created a gap between the demand for and the supply of middle-income housing. The investigation of this missing middle in the Tlokwe municipal region market will be reported on in the next chapter.

CHAPTER 3: EMPIRICAL STUDY

3.1 Introduction

Owing to the success of previous studies conducted on the black diamond market segment, such as UCT Unilever Institute of Strategic Marketing (2008), which is largest, recent, most well known and referenced survey on the black diamond market segment, the study followed a similar data gathering technique. This study adopted a quantitative research approach, which involves the use of statistical data and tools, and is used to provide greater precision when interpreting the data collected (Kuhn, 2009; Valentine, 2010). Primary data was collected through questionnaires. This study utilised descriptive research for data gathering. Descriptive research is defined as ñthe collection of data in order to state the current status of the subject or topic of studyò(Jacobs, 2009:6).

This chapter will detail the methodology of the study and the findings. The data collection technique will be detailed in Section 3.2, particularly with regard to the questionnaires administered. The study population will be discussed in Section 3.3. Thereafter, the confidentiality of the study will be considered in Section 3.4. Next, the statistical analysis of the data will be discussed in Section 3.5 with regard to the frequency analysis and descriptive statistics of the black diamond respondent data (housing demand side) and the real estate developer and estate agent respondent data (housing supply side).

3.2 Data collection

Two different structured questionnaires were used,[2] the first for the black diamond respondents and the second for the real estate developers and agents who participated in the study. The questionnaires were distributed by hand to black, middle-class respondents and to real estate developers and agents in the Tlokwe region, and collected within 48 hours. Respondents were asked to follow the instructions given, complete the survey by marking the appropriate box with an ñXò, and return it to the researcher in hard copy format.

Both questionnaires were constructed to gather relevant information relating to the primary and secondary objectives with the assistance of the Statistical Consultation Service at the Tlokwe municipal region Campus of the North-West University. Completed

[2] Refer to Appendices B and C for an example of the questionnaires.

questionnaires were processed by Lucilda Boshoff from the Statistical Consultation Service, which validated that data collected and ensured the creditability of the study.

The questionnaires were drawn up with the following requirements in mind (Kuhn, 2009):

1. The significance should be clearly and carefully stated on the questionnaire or in the letter that accompanies it.
2. It should only seek information that cannot be obtained from other sources.
3. It must be as short as possible and only long enough to obtain the essential data.
4. The writing required of the respondent must be kept to a minimum and the response system must be made clear and easy.
5. Directions need to be clear and complete. Important terms must be defined. Each question must deal with a single idea and must be worded as simply and clearly as possible.
6. It must be attractive in appearance, neatly arranged, and clearly duplicated or printed.
7. The questions must be objective, with no leading suggestions as to the responses desired.
8. Questions have to be presented in good psychological order, proceeding from general to more specific responses. They should not be annoying or embarrassing. When questions of a delicate nature are necessary, the questionnaire should be anonymous.

3.2.1 Questionnaire 1

The first questionnaire (Appendix B) consists of three sections: demographic information, housing information and financial information. Demographic information was gathered through the use of 10 questions (see Section A of appendix B) in which respondents were asked to indicate their age group, gender, marital status, number of adults in household, area of residence, education level, average monthly household salary range, individual monthly salary range, whether they have M-Net or DStv, and their population group.

Housing information was gathered through 15 questions that sought to elicit information regarding the respondentsôpast, current and future housing situation, as well as to identify whether there is demand within a specific housing price segment in Tlokwe municipal region. Respondents were asked to indicate using an ñXòthe degree to which they agreed or disagreed with a certain statement. Closed questions, using a Likert scale were also used.

Financial information was gathered through 5 questions. These questions related to the bank the respondents banked with, the percentage of their monthly income saved, whether they use a budget, and what they spend their money on.

3.2.2 Questionnaire 2

The second questionnaire (Appendix C) sought to gather housing information on the supply side through 13 questions. The questionnaire sought to determine which housing price category real estate developers and agents identified to have the highest availability in Tlokwe municipal region, as well as in which price category there is a shortage of houses. The questionnaire also sought to identify whether there is a tendency amongst the black middle class to move from the townships into the suburbs and to determine the success rate of financing approvals for home finance applications by the black diamond market segment. Furthermore, this questionnaire sought to determine what real estate developers and agents felt would happen to the black diamond market segment in terms of demand for housing in the next five years and to identify which housing price bracket required the most urgent attention in Tlokwe municipal region to meet the growing demand.

3.3 Study population

The Tlokwe municipal region, which encompasses Tlokwe municipal region and several neighbouring settlements, has a population of 128 357, according to the 2007 community survey (STATS SA, 2007). Of these, 69.6% are African, 27% Caucasian, 3% Coloured and 0.4% Asian.

The first questionnaire was distributed to 100 black diamond respondents on the basis of employment by government or employment in the private sector. The questionnaire was distributed to private hospitals, municipality workers, the police department, school teachers and various private businesses in Tlokwe municipal region. The second questionnaire was distributed to 50 real estate developers and agents in the Tlokwe municipal area. Only 39 of the 100 questionnaires distributed to black diamond respondents were returned completed before the deadline and only 13 of the 50 questionnaires distributed to real estate developers and agents were returned. Therefore, the population was made up of 39 black diamond respondents and 13 real estate developers and agents in the Tlokwe municipal area.

3.4 Confidentiality

A covering letter explaining the purpose of the questionnaire and study to the respondents accompanied the questionnaire. The respondents were informed that their details would be treated with strict confidentiality and that their individual responses would not be made available.

3.5 Statistical analysis of the data

Data collected through the questionnaires was analysed by the Statistical Consultation Service using Statistica (StatSoft, 2008) and SPSS (SPSS, 2009). In the following sections, frequency distributions are portrayed graphically in the form of histograms, circle diagrams and bar charts. The mean is employed as measure of central tendency and the standard deviation to indicate dispersion of data.

3.5.1 Frequency analysis and descriptive statistics of the black diamond respondent data

The frequency analysis and descriptive statistics of the black diamond respondent data are reported in the following sections. Each of the three sections relates to the three sections of the first questionnaire as set out above.

3.5.1.1 Section A: Demographic information

Question 1

Table 3.1: Age distribution of the four sub-segments of the black diamond market segment

Age grouping	Valid %
16–20	**7.7**
21–30	**28.2**
31–40	**38.5**
41–50<	**25.6**

A total of 100 questionnaires were sent to respondents in the Tlokwe municipal region area, and 39 were returned by the deadline. The response rate was thus 39%. The table above indicates that 7.7% of the respondents were between the ages of 16 and 20 (the Mzanzi youth sub-segment of black diamond market segment), 28.2% of respondents were between the ages 21 and 30 (start-me-ups sub-segment), 38.5% were between 31 and 40 (young families sub-segment) and 25.6% were 41 years of age and older (the established sub-segment).

Question 2

Table 3.2: The distribution between black diamond male and female respondents

Gender	Valid %
Male	69.2
Female	30.8

Table 3.2 above indicates that 69.2% of the respondents in study were male and 30.8% were female.

Question 3

Table 3.3: The marital status of black diamond respondents

Status	Valid %
Married	64.1
Unmarried	35.9

The table above indicates that 64.1% of respondents in study were married and 35.9% were unmarried.

Question 4

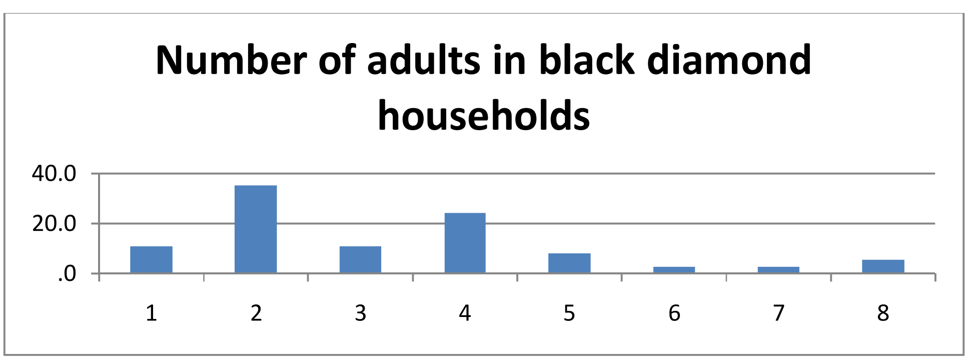

Figure 3.1: The number of adults in the black diamond households

Figure 3.1 indicates that 35.1% of the households in the study consisted of 2 adults only and 24.3% consisted of 4 adults. The mean number of adults per household was 3.3 adults.

Question 5

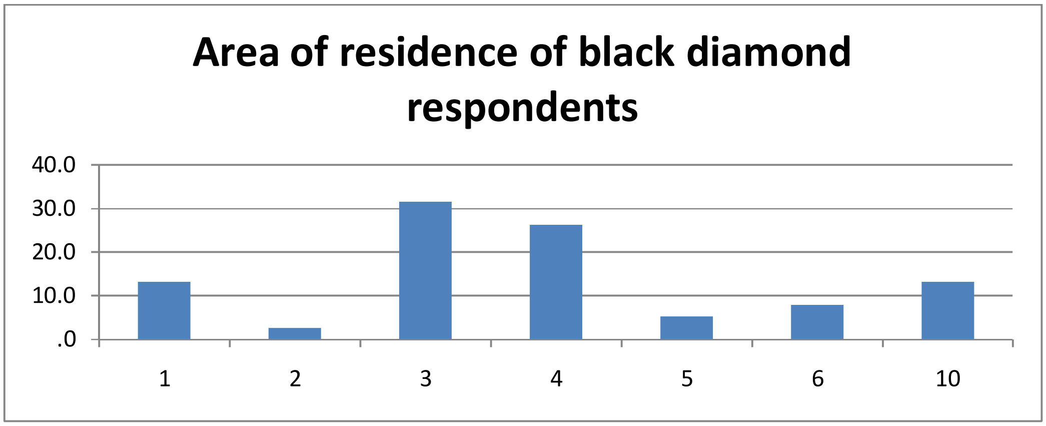

Figure 3.2: The distribution of area of residence of the black diamond respondents in survey

Figure 3.2 indicates that the majority of respondents live in township communities, with the two main areas of residence in townships being Ikageng (31.6%) and Promosa (26.3%), with only 23.6% of black diamond respondents living in the suburbs of Tlokwe municipal region.

Question 6

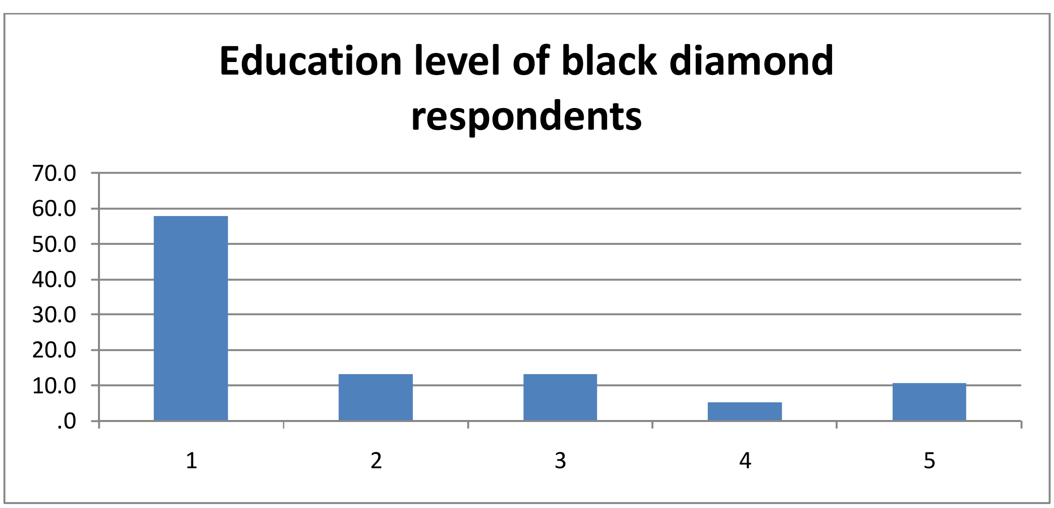

Figure 3.3: The level of education of black diamond respondents

Figure 3.3 indicates that 57.9% of the respondents held a National Senior Certificate (or Senior Certificate), 13.2% of the respondents held a diploma, 13.2% held a Bachelor of Technology degree, and only 5.3% held an undergraduate degree.

Question 7

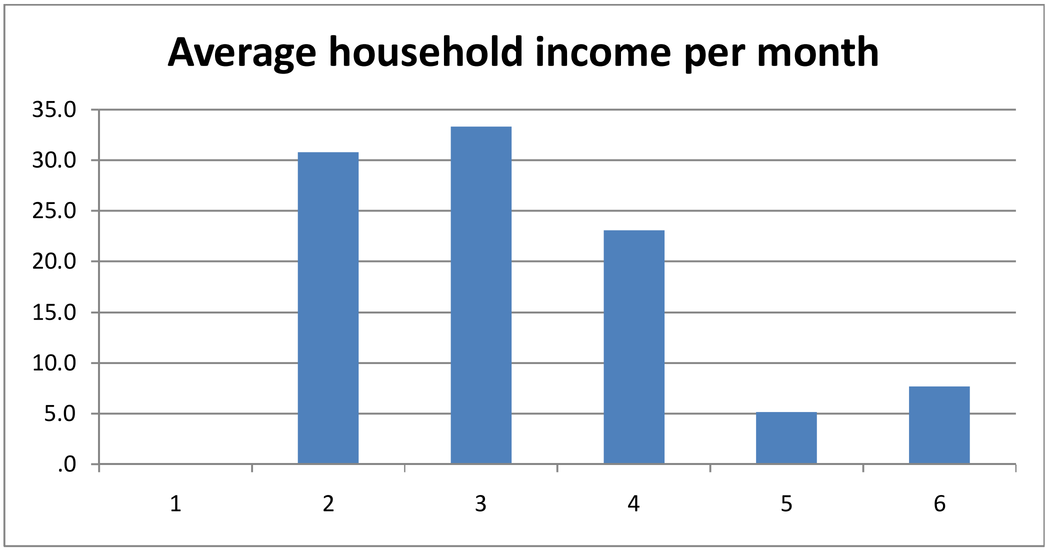

Figure 3.4: The average household gross salary per month

Figure 3.4 indicates that 33.3% of respondents have an average household income of R3 000 to R5 000 per month, 23.1% have a household income of R5 001 to R10 000 per month, 7.7% have a income of R20 000 and more per month. The information above demonstrates that in terms of the study all the respondents qualify for the middle-income group.

Question 8

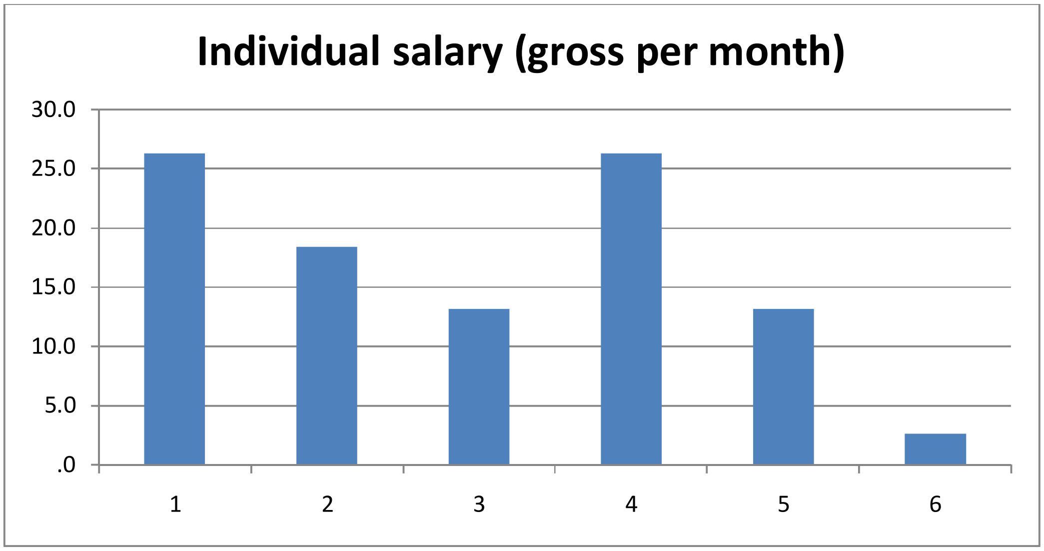

Figure 3.5: The individual gross salary per month of black diamond respondents

Figure 3.5 above indicates that 26.3% of the respondents earned an individual salary of less than R1 500 per month, 26.3% earned between R5 000 and R10 000 per month, only 2.6% earned more than R20 000 per month. The majority of the respondents thus earned a monthly salary of more than R3 001 per month

Question 10

All of the respondents fall within the black population group.

3.5.1.2 Section B: Housing information (demand side)

Question 1

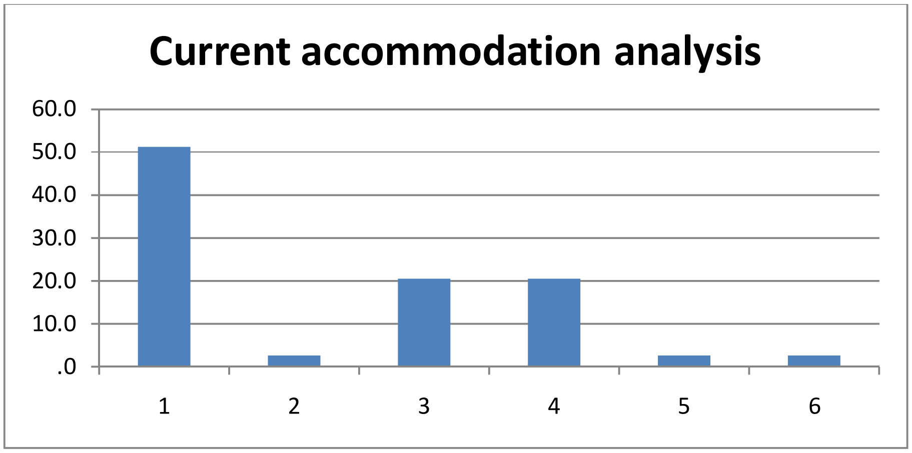

Figure 3.6: Current accommodation analysis of black diamond respondents

Figure 3.6 above indicates that 51.3% of the respondents rent their current accommodation and only 2.6% own the property they live in, which demonstrates that a very low percentage of black middle-class respondents own property. In addition, 2.6% of the respondents indicated that they own more than one property, while 20.5% live with their family or parents.

Question 2

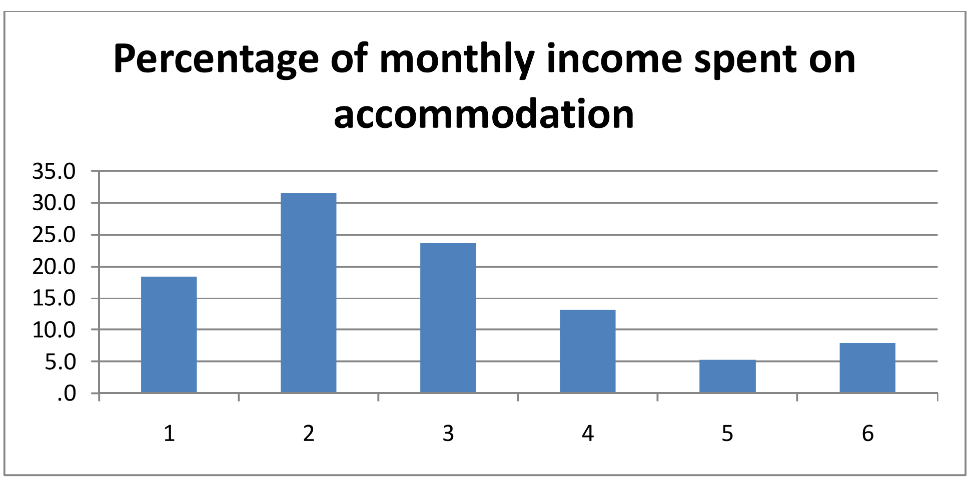

Figure 3.7: Percentage of respondentsômonthly income spent on accommodation

Figure 3.7 above indicates that the majority of the respondents spend between 10 and 15% of their income on accommodation and 7.9% spend more than 50% of their monthly income on accommodation.

Question 3

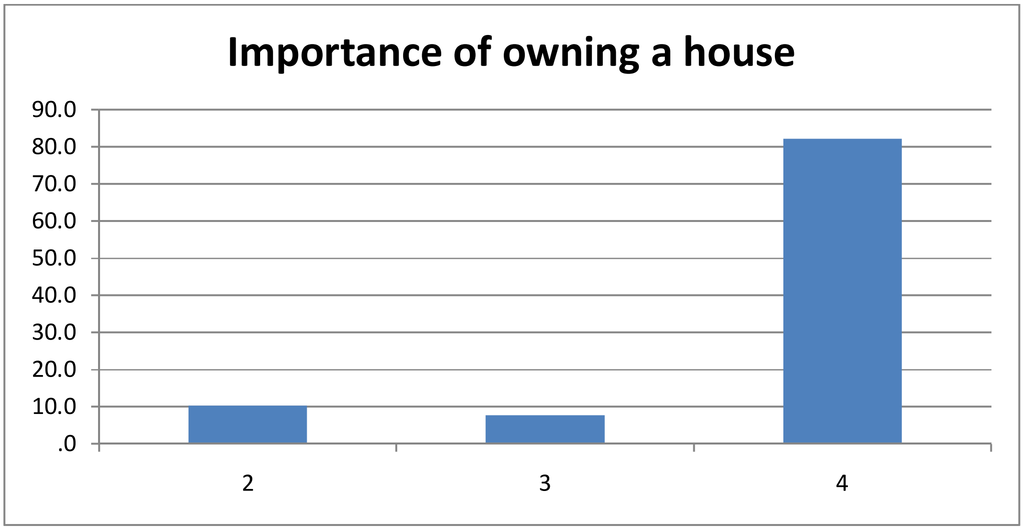

Figure 3.8: The importance of owning a house to black diamond respondents

Figure 3.8 clearly indicates that the black diamond respondents view owning a house as very important: 82% of the respondents in the study indicated that it was very important to own a house. The remaining 18% also indicated to a certain degree that owning a house was a little or somewhat important.

Question 5

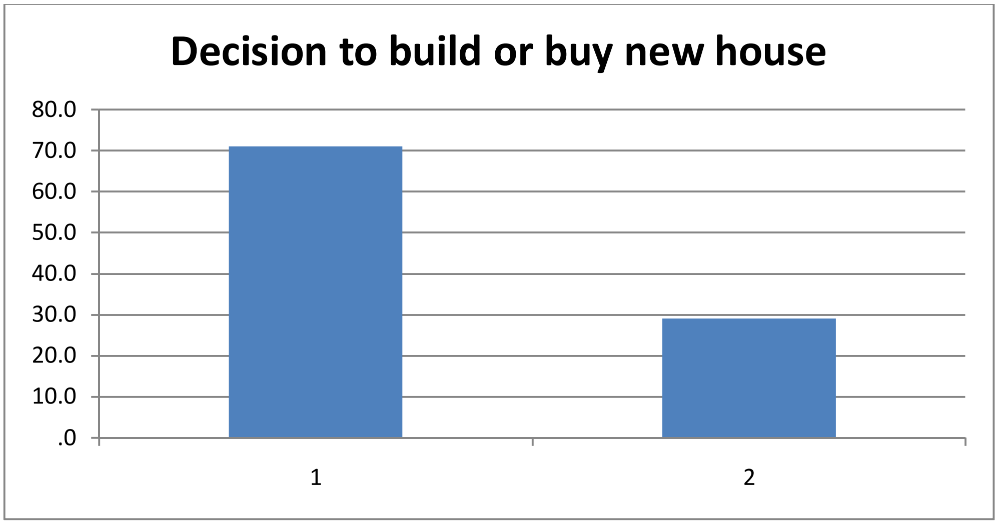

Figure 3.9: Black diamond respondent decision to build or buy a new house

Figure 3.9 demonstrates that 76.3% of the respondents would prefer to build their own new house rather than buy an existing new house, while 23.7% would prefer to buy an existing new house.

Question 6

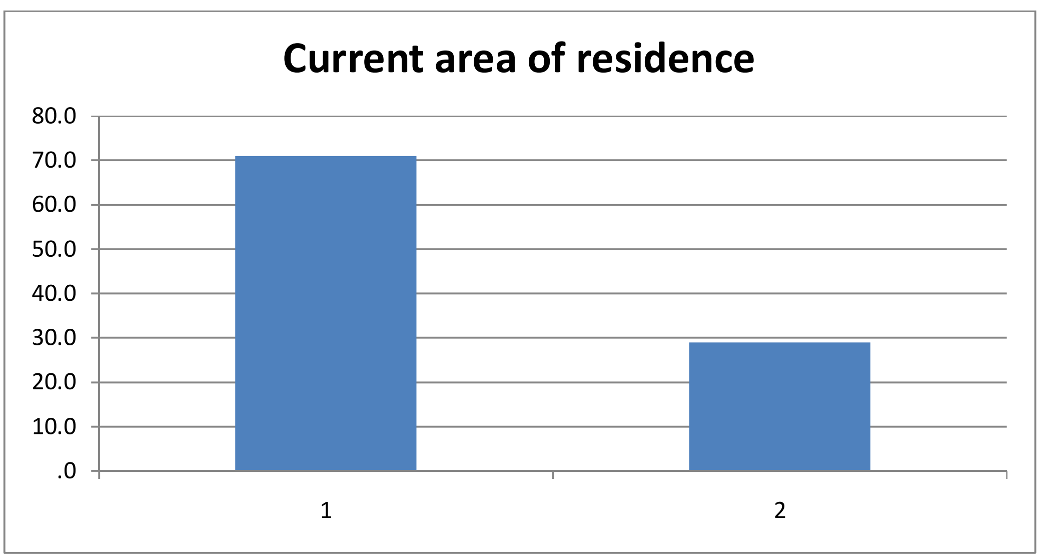

Figure 3.10: Current area of residence of black diamond respondents

Figure 3.10 indicates that 71% of the black diamond respondents live in the townships and 29% live in the suburbs.

Question 7

Of the respondents that live in the suburbs, 53% of the respondents that live in the suburbs indicated that they had previously lived in the township.

Question 8

The average mean of all constructs as evaluated by respondents was $\bar{x}$ = 3.479, indicating that the prevalence of reasons for living in the townships is 3.5 out of 5 on the Likert scale. This indicates that the reasons provided by the respondents have a strong influence on the respondentsôdecision to continue living in the townships.

Table 3.4: Average mean of various reasons given for living in townships

Question number	Mean
Q2N810	2.68
Q2N86	2.73
Q2N88	3.00
Q2N85	3.24
Q2N89	3.69
Q2N84	3.72
Q2N82	3.76
Q2N83	3.83
Q2N87	3.86
Q2N81	4.28

The results of the survey are graphically represented in the figure, which compares the mean values across the reasons ranked from the highest to lowest mean score.

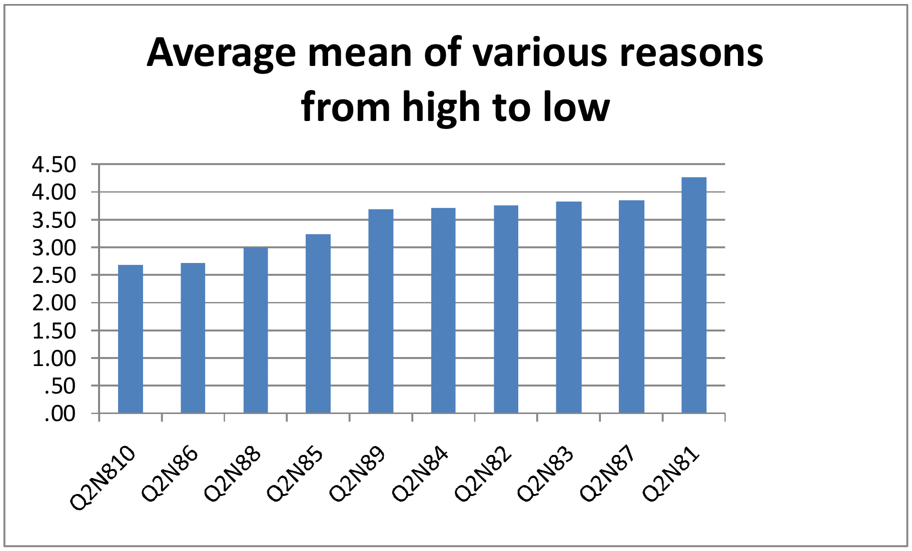

Figure 3.11: Average mean of various reasons given for living in townships

The following 4 reasons for black diamond respondents living in townships had a mean below the average mean ($\bar{x}$ =3.479): **traditional reasons** ($\bar{x}$ = 2.68), **cultural reasons** ($\bar{x}$ = 2.73), **status** ($\bar{x}$ = 3.00) and **proximity to work** ($\bar{x}$ = 3.24).

The other 6 reasons evaluated had a mean ranked higher than the average mean ($\bar{x}$ =3.479): **family** ($\bar{x}$ = 3.69), **proximity to schools** ($\bar{x}$ = 3.72), **location** ($\bar{x}$ = 3.76), **availability of houses** ($\bar{x}$ = 3.83), **safety** ($\bar{x}$ = 3.86) and **affordability** ($\bar{x}$ = 4.28). The 2 reasons with the highest mean were **affordability** ($\bar{x}$ = 4.28) and **safety** ($\bar{x}$ = 3.86).

Question 10

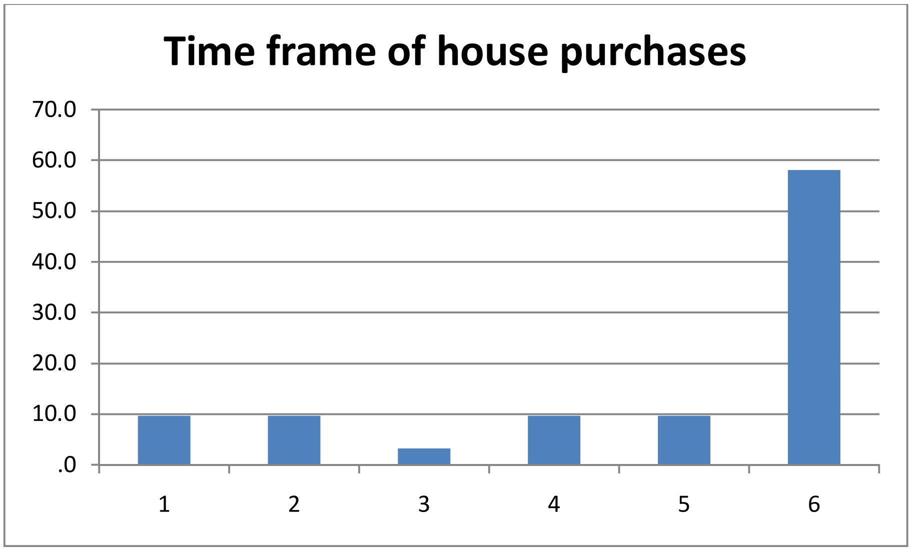

Figure 3.12: The time frame of black diamond respondent house purchases

Figure 3.12 indicates that of the respondents that own a house, 22.6% had purchased a house within the past 2 years and 19.4% had purchased a house in the last year. Only 19% indicated that they had purchased a house 3 to more than 10 years ago. This indicates a sharp increase in houses being purchased by the black diamond market segment over the past 2 years.

Question 11

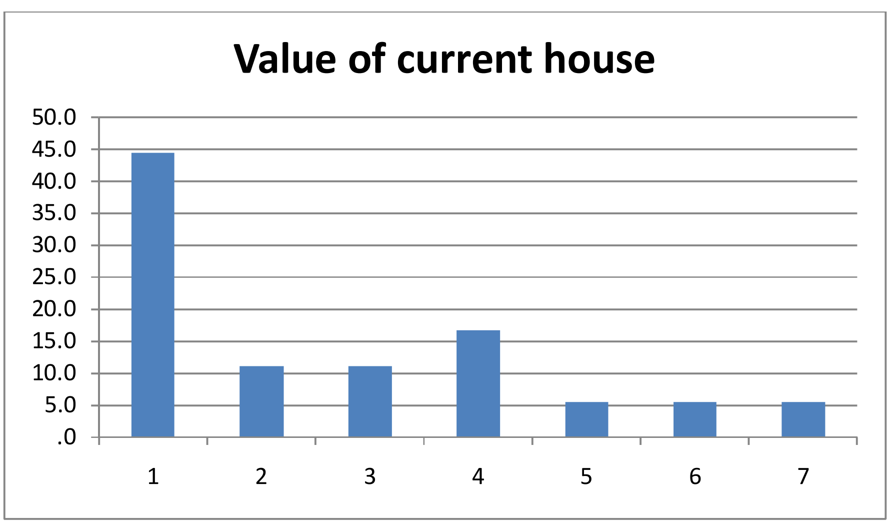

Figure 3.13: The value of black diamond respondentsôcurrent houses

Figure 3.13 indicates that of the respondents that own a house, 44% indicated that they would value their house at between R50 000 and R150 000, while 16.7% of the respondents indicated that they would value their houses at between R350 000 and R450 000. It is evident that there is a significant demand for houses in between the price range of R50 000 and R550 000, as 83.3% of the respondents that own houses indicated that their housesôvalue fell between these values.

Question 12

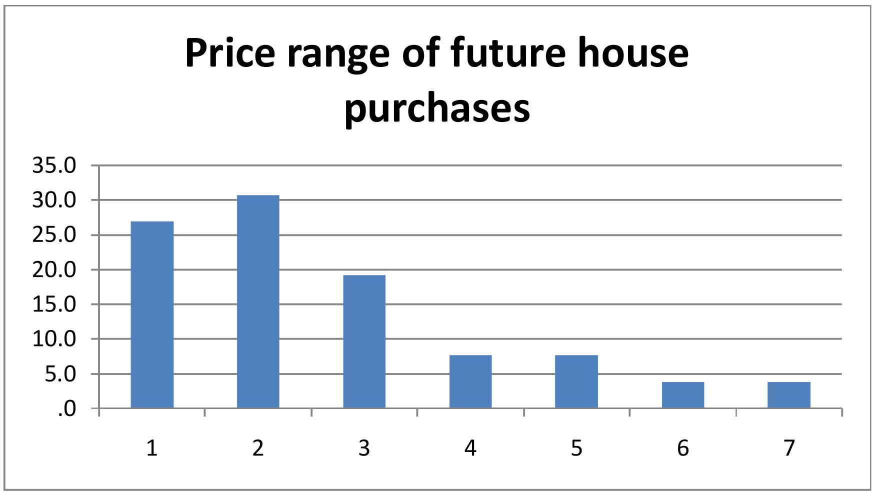

Figure 3.14: The price range with highest demand amongst black diamond respondents

The findings in Question 11 were strengthened by the finding in Question 12, which also indicated that 84% of the respondents who did not yet own a house would be looking to buy a house between R50 000 and R550 000. This again indicates a significant demand for houses in this price range.

Question 13

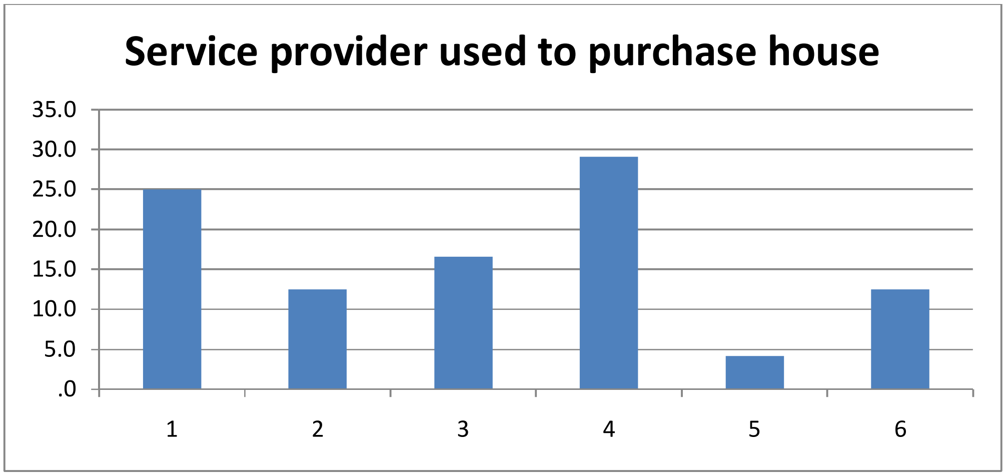

Figure 3.15: Service provider used by black diamond respondents when purchasing a house

Figure 3.15 above indicates that 42% of the respondents used either a real estate developer or agent, or both as a channel when purchasing their house, and that 29% purchased their house through government. This indicates that it is likely that 29% of the respondents own a RDP house. This would explain the high number of homeowners valuing their house between R50 000 and R150 000 in Question 11.

Question 14

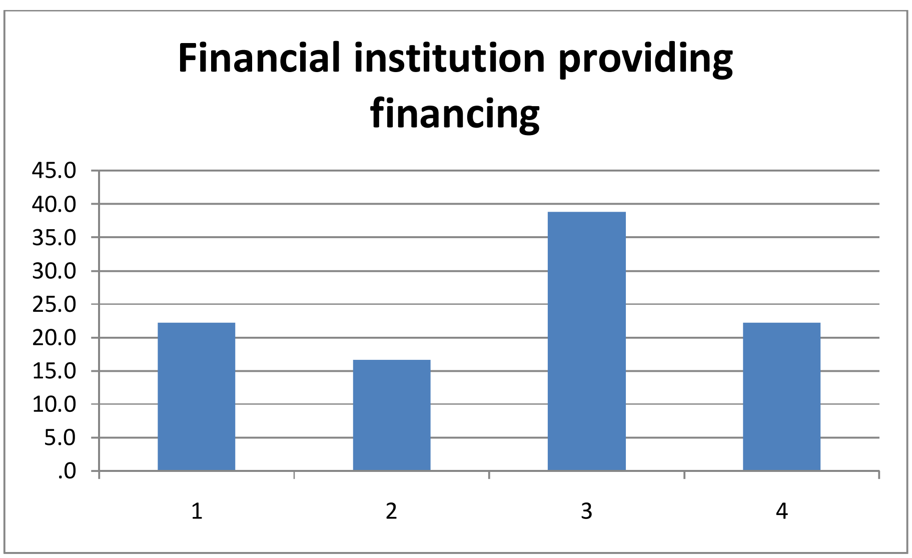

Figure 3.16: The financial institutions providing black diamond respondents with home financing

Figure 3.16 shows that the majority of the respondents received financing for their home loan from FNB, while 22.2% of the respondents received financing from ABSA, 22.2% from Nedbank, and a minority from SA Home Loans. No respondents indicated they had received financing from any source other than those mentioned above.

Question 15

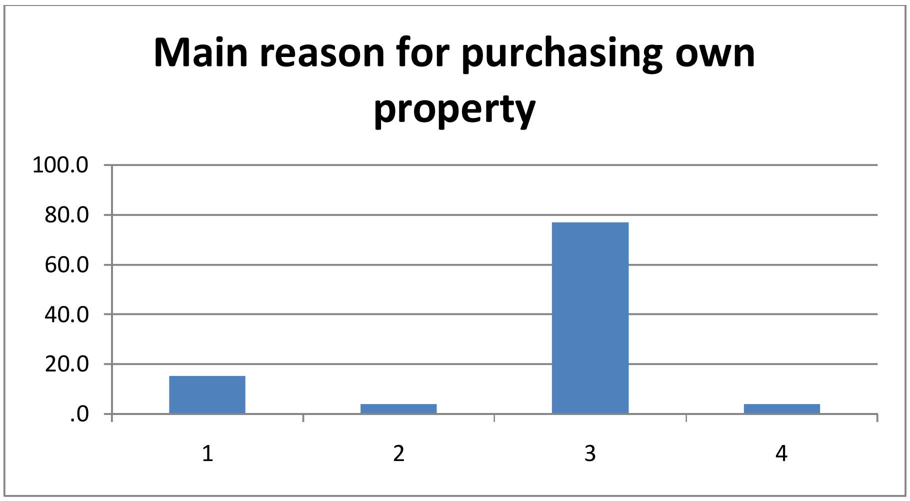

Figure 3.17: The main reasons that black diamond respondents purchase a house

Figure 3.17 demonstrates that the main reason for respondents in the black diamond market purchasing their house was their family. The second most important reason given was investment.

3.5.1.3 Section C: Financial information

Question 1

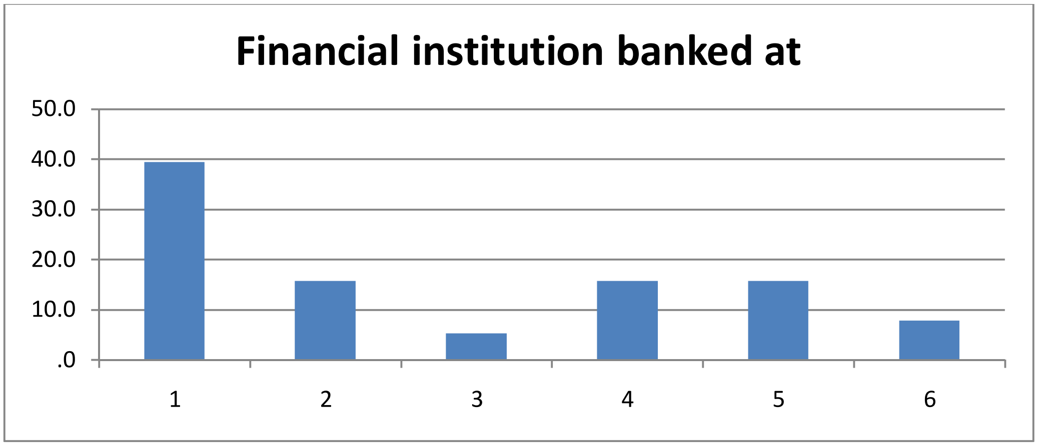

Figure 3.18: The most popular banking institutions amongst black diamond respondents

Figure 3.18 indicates that 40% of the respondents banked with ABSA, approximately 16% with Standard Bank, 16% with Capitec and 16% with FNB. Only 5.3% of respondents banked with Nedbank.

Question 2

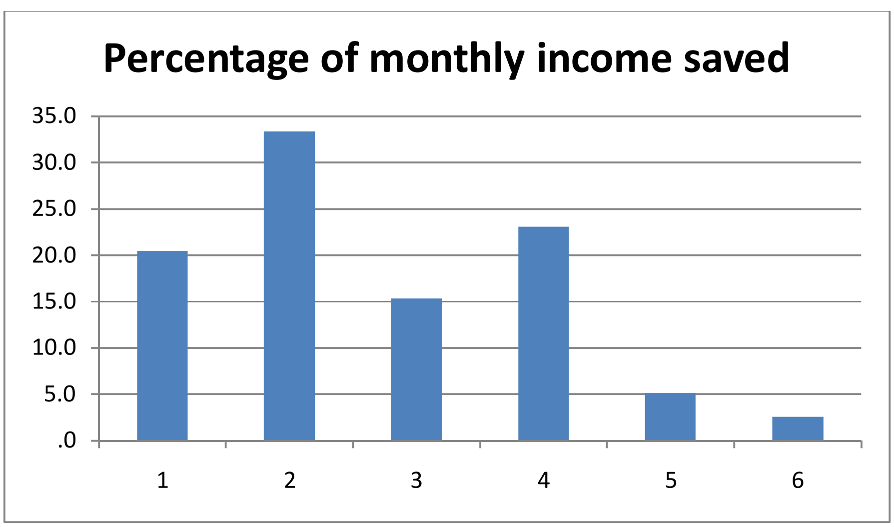

Figure 3.19: The percentage of black diamond respondentsôincome saved per month

Figure 3.19 shows that only 20% of the respondents did not save at all, whereas approximately 80% saved money to some extent, from 1% to more than 50% of their monthly income. This indicated that the black diamond market has a tendency to save rather than spend all their money and live on a month-to-month basis.

Question 3

Approximately 85% of the respondents indicated that they budgeted on a monthly basis. This shows a tendency towards financial planning.

Question 4

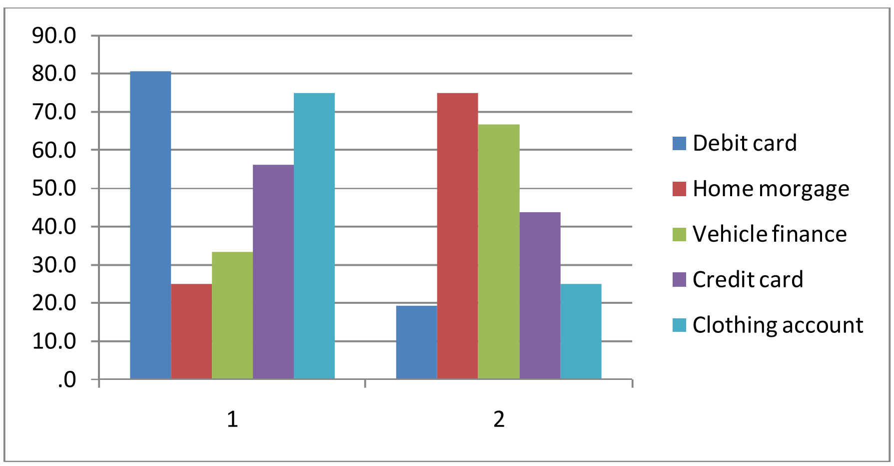

Figure 3.20: Typical expenses amongst black diamond respondents

Figure 3.20 demonstrates that over 70% of the respondents had a debit card overdraft facility and clothing account. More than 50% had a credit card and more than 30% had car finance. Only 25% have a home mortgage, which indicates that money is being spent on bad debt (debt on expenses) instead of good debt (debt on assets).

Question 5

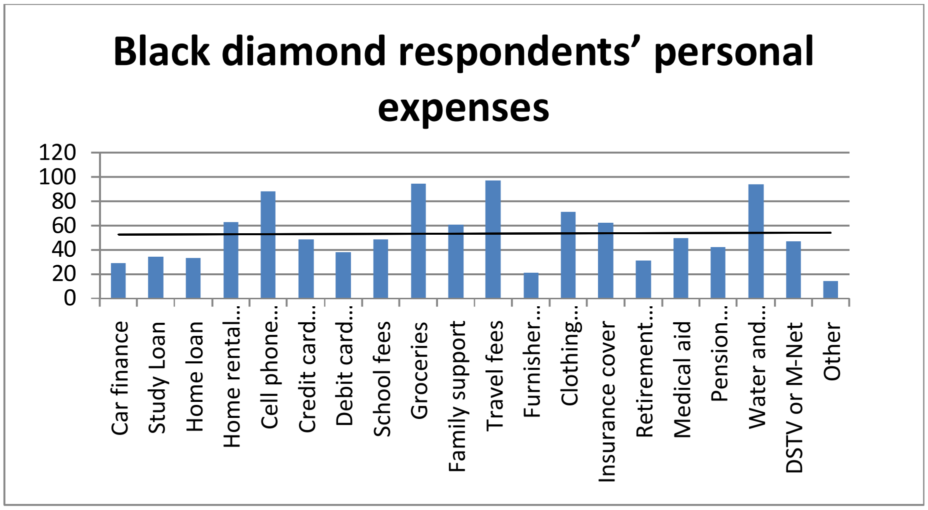

Figure 3.21: Typical personal expenses amongst black diamond respondents

Figure 3.21 shows that 71.4% of the respondents have clothing accounts and 88.2% have cellphone contracts. The two expenses identified prove that the black diamond market segment places high value on status and that black diamonds are very conscious of being well-connected in social networks.

3.5.2 Frequency analysis and descriptive statistics of the real estate developer and estate agent respondent data (housing supply side)

The frequency analysis and descriptive statistics of the real estate developer and estate agent respondent data are reported in the following section.

Question 2

The real estate developer and agent respondents that participated in study were equally divided between real estate developers and real estate agents.

Question 3

Table 3.5: Ranking of the price range demand for houses

Answer number	Price range	Rank
1	R50 000ï R350 000	1 or 2
2	R350 001ï R550 000	1 or 2
3	R550 001ï R750 000	3
4	R750 001ï R1 million	4
5	>R1 million	5

The table above indicates that the respondents (real estate developers and estate agents) ranked both R50 000 to R350 000 and R350 001 to R550 000 as the price range in highest demand in the Tlokwe municipal region housing market. The demand for houses also decreased as the price range increased, indicating that property over R1 million had the lowest demand.

Question 4

Table 3.6: Ranking of the availability of houses in various price range

Answer number	Price range	Rank
1	R50 000ï R350 000	5
2	R350 001ï R550 000	4
3	R550 001ï R750 000	3
4	R750 001ï R1 million	1
5	>R1 million	2

The table above indicates that the price range between R750 001 and R1 million has the highest availability of houses in Tlokwe municipal region and that the two price ranges with the lowest availability are houses valued at between R50 000 and R550 000. This indicates a shortage in the middle- and lower-income housing market of Tlokwe municipal region.

Question 5

All of the respondents indicated that they had observed a tendency amongst the black diamond market segment to move from the townships into the suburbs. This finding is supported by Muller (2007), who states that the movement of black diamonds from the township to the suburbs increases by approximately 50% per year.

Question 6

The average mean of all constructs as evaluated by respondents were $\bar{x}$ = 3.479, indicating that the prevalence of reasons for moving from the townships to the suburbs is 3.5 out of 5 on the Likert scale. The results of the survey are given in the table below and graphically represented in Figure 3.22, which compares the values across the constructs ranked from the highest to lowest mean score.

Table 3.7: Ranking of reasons for movement of black diamonds from townships to suburbs

Question number	Mean
Q6N8	2.31
Q6N2	2.69
Q6N7	2.83
Q6N4	3.17
Q6N1	3.45
Q6N5	3.50
Q6N6	3.64
Q6N10	3.73
Q6N3	3.82
Q6N9	3.91
Average mean	3.304545455

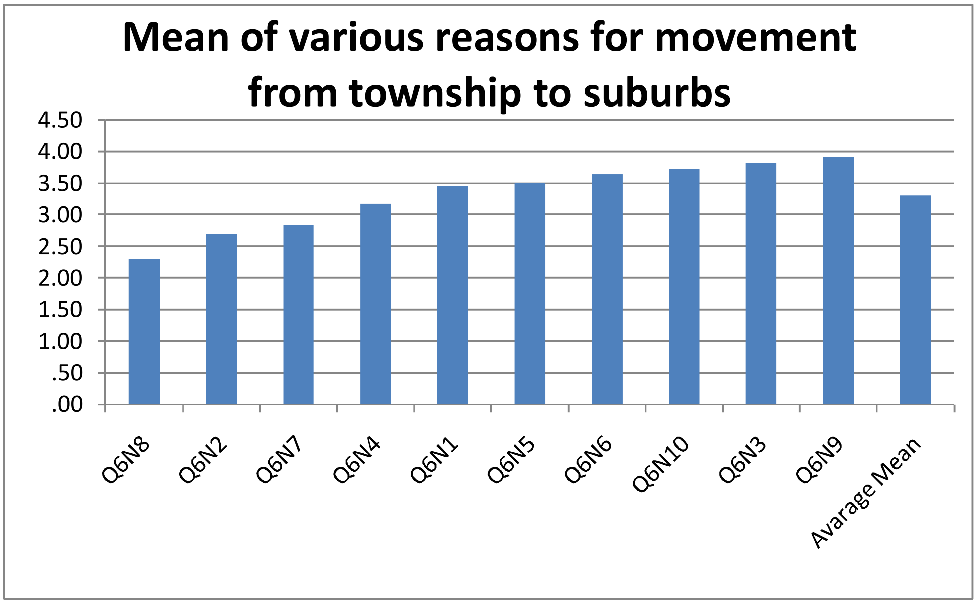

Figure 3.22: The main reasons for black diamond movement from townships to suburbs

The following 4 reasons for black diamond respondents moving from the townships to the suburbs had a mean below the average mean ($\bar{x}$ =3.479): **status** ($\bar{x}$ = 2.31), **location** ($\bar{x}$ = 2.69), **safety** ($\bar{x}$ = 2.83) and **proximity to schools** ($\bar{x}$ = 3.17).

The other 6 reasons evaluated had a mean ranked higher than the average mean ($\bar{x}$ =3.479): **affordability** ($\bar{x}$ = 3.45), **proximity to work** ($\bar{x}$ = 3.50), **cultural reasons** ($\bar{x}$ = 3.64), **traditional reasons** ($\bar{x}$ = 3.73), **availability of houses** ($\bar{x}$ = 3.82), and **family** ($\bar{x}$ = 3.91) The two reasons with the highest mean were **family** ($\bar{x}$ = 3.91) and **availability of houses** ($\bar{x}$ = 3.82).

3.6 Chapter summary

The empirical study detailed in this chapter used two survey questionnaires in order to achieve the primary and secondary objectives as set out in Chapter 1. The first questionnaire was distributed to black diamonds in the Tlokwe municipal region. Of the 100 questionnaires distributed, 39 were returned. The second questionnaire was distributed to real estate developers and estate agents in the Tlokwe municipal region. Of 50 questionnaires distributed, 13 were returned.

Based on the demographic information gathered from the black diamond respondents, the findings indicate that the majority of the respondents fell within the young families (38.5%, aged 31 to 40) and start-me-ups (28.2%, aged 21 to 30) sub-segments of the black diamond market segment and were mostly males (69%). The findings also indicate that the average number of adults per household amongst the black diamond respondents was 3.3 adults per household. The majority of the respondents reside in township communities, namely Ikageng (31.6%) and Promosa (26.3%). Only 23.6% of the respondents live in the suburbs of Tlokwe municipal region.

Regarding their education, 57.9% of the respondents held a National Senior Certificate (or Senior Certificate), 13.2% held a diploma, 13.2% held a Bachelor of Technology degree, and only 5.3% held an undergraduate degree. Concerning their income, 26.3% of the respondents earned an individual salary of R5 000 to R10 000 per month. The majority of black diamond respondents earned an individual salary of more than R3 000 per month.

The findings in terms of the demand side of housing information gathered are that 51.3% of the respondents rent their current accommodation and only 2.6% of the respondents own the house in which they live. The majority of the respondents spend between 10 and 15% of their income on accommodation. The majority (82%) viewed owning a house as very important. Related to this, 76.3% of respondents indicated that they would prefer to build their own new house rather than buy an existing new house. The majority of the respondents (71%) currently live in the townships. Regarding the main reasons for respondents living in townships, it was found that the most important reasons were affordability and safety. Traditional reasons and cultural reasons were the least important. Family and availability of houses were the most important reasons for respondents living in the suburbs.

Of the respondents that own a house, 22.6% had purchased a house within the past two years and 19.4% had purchased a house in the last year. Only 19% had purchased a house 3 to more than 10 years ago. This indicates a sharp increase in houses being purchased by the black diamond market segment in the past two years. The majority of approximately 83.3% of the respondents that own their own houses indicated that their housesôvalue was between R50 000 and R550 000, which indicates a huge demand for houses within this price range. Of the respondents that did not yet own a house, 84% would be looking to buy a house valued at between R50 000 and R550 000. This too indicates a significant demand for houses in this price range. While the majority of respondents banked with ABSA, the majority of respondents who own a house received their home loan from FNB. The main reason for respondents in the black diamond market purchasing their house was their family, with investment the second most important reason given.

Only 20% of all the respondents indicated they did not save at all, whereas approximately 80% of the black diamond respondents indicated they did save. This finding suggests that the black diamond respondents have a tendency to save rather than spend all their income. Furthermore, approximately 85% of the respondents indicated that they budgeted monthly, which shows a tendency towards financial planning.

Over 70% of the black diamond respondents in study indicated they had a debit card overdraft facility and clothing account, more than 50% had a credit card and more than 30% had car finance. Only 25% of the respondents have a home mortgage. These findings indicate that money is being spent on bad debt rather than good debt. The findings regarding personal expenses support the finding in the literature that black diamonds are status driven. These are that 71.4% of the respondents have a clothing account and 88.2% have cellphone contracts.

An equal number of real estate developer and estate agent respondents participated in the study. Based on the information gathered from the real estate developer and estate agent respondents, houses in the R50 000 to R350 000 and R350 001 to R550 000 price ranges are those with the highest demand in Tlokwe municipal region. The demand for houses decreased as price range increased. Houses in the R750 001 to R1 million price range were noted as those with the highest availability in Tlokwe municipal region, while those with the lowest availability are those valued at between R50 000 to R550 000. This indicates a shortage of houses in the middle- and lower-income housing market of Tlokwe municipal region.

All of the respondents indicated that they had observed a tendency amongst black diamonds to move from the townships to the suburbs. The two main reasons suggested for this were **family** and **availability of houses**. **Status** and **location** were seen as the least important reasons for black diamonds moving from the townships to the suburbs.

In the next chapter, conclusions will be drawn based on the findings discussed in this chapter, in order to determine whether the research objectives as set out Chapter 1 were achieved. In addition, recommendations for further study will be made.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Introduction

The chapter will provide the conclusions drawn from the results obtained from the empirical study reported in Chapter 3. In Section 4.2, the findings based on the questionnaire administered to the black diamond respondents will be discussed in terms of the demographic, demand side of housing and financial information gathered. In Section 4.3, the findings based on the questionnaire administered to the real estate developers and real estate agents will be discussed in terms of the supply side of housing information gathered.

Once conclusions have been drawn, the success of the study will be evaluated in Section 4.4 in terms of the primary and secondary objectives set in Chapter 1. The chapter will conclude with recommendations for future study in Section 4.5.

4.2 Black diamond responses

The responses of the black diamond respondents are reviewed below. The responses are reviewed according to each of the main types of information collected.

4.2.1 Demographic information of black diamond respondents

Demographic information of the respondents regarding age, gender, marital status, number of adults in household, current area of residence, highest level of education obtained, monthly household salary, monthly individual salary, and population group was obtained.

The age distribution of the respondents was left-skewed, indicating that the majority of the respondents were in the older sub-segments of black diamond market segment. The age groupings in this study were important, as the black diamond market segment is divided into 4 sub-segments. The following findings were made: 7.7% of the respondents were between the ages of 16 and 20, referred to in this study as the Mzanzi youth sub-segment; 28.2% were between the ages of 21 and 30, referred to as the start-me-up sub-segment; 38.5% were between the ages of 31 and 40, referred to as the young families sub-segment; and 25.6% were aged 41 and older, referred to as the established sub-segment. The literature review supports this percentage population distribution, as a survey conducted by the UCT Unilever Institute of Strategic Marketing (2008) indicates that the Mzanzi youth sub-segment makes up 19% of the entire black diamond market, start-me-ups 21%, young families 24%, and established 36%. Therefore, this study's respondent distribution of the black diamond sub-segments in the Tlokwe municipal region is similar to that of the wider South African black diamond sub-segments. Most of the respondents in the study were male (69%).

The findings also indicate that the average number of adults per household was approximately 3 adults per household. The majority of respondents reside in the township communities of Ikageng and Promosa, with only 23.6% of the black diamond respondents living in the suburbs of Tlokwe municipal region.

Concerning their education, 57.9% of the respondents held a National Senior Certificate (or Senior Certificate), 13.2% of the respondents held a diploma, 13.2% held a Bachelor of Technology degree, and only 5.3% held an undergraduate degree. Regarding their income, 26.3% of the respondents earned an individual salary of R5 000 to R10 000 per month. The majority of black diamond respondents earn an individual salary of more than R3 000 per month.

4.2.2 Black diamond respondent demand side of housing

The limited number of completed questionnaires received limited the generalisability of the findings and therefore the findings cannot be accepted as an accurate reflection of the black diamond population in Tlokwe municipal region or SA, but only a reflection of the black diamond respondents participating in the study. All the respondents completed all the questions, which increased the reliability of the findings in terms of the black diamond respondent demand side of housing.

The black diamond market views purchasing a property as important, but only 2.6% of the respondents own a property. This appears contradictory. The reason for this may be that limited properties are available in the price range the respondents can afford. This reason is supported by the findings in terms of the price range respondents identified as the range in which they would purchase a house (R50 000–R550 000), with 84% of the respondents wishing to purchase a property in this price range in the future. This indicates a significant demand for houses in this price range. In the questionnaire completed by the real estate developers and estate agents, the same price range was identified as being in the highest demand amongst the black diamond market segment and with the lowest availability in Tlokwe municipal region.

Another finding made is that 71% of the respondents currently live in the townships and 21% live in the suburbs. The top two reasons for black diamond respondents living in the townships were affordability and safety. The reasons with the least impact on their decision to live in the townships were traditional reasons and cultural reasons.

Of the respondents that own a house, 22.6% indicated they had purchased a house within the past two years and 19.4% had purchased a house in the last year. Only 19% indicated that they had purchased a house 3 to more than 10 years ago. This indicates a sharp increase in houses being purchased by the black diamond market segment over the past 2 years. The main reason for respondents in the black diamond market purchasing their house was their family, followed by investment. This may imply a growing awareness amongst the black diamond respondents of the importance of investment as a result of an increase in income.

4.2.3 Financial information of black diamond respondents

Only 20% of all the respondents indicated they did not save at all, whereas approximately 80% of the black diamond respondents indicated they did save. This finding suggests that the black diamond respondents have a tendency to save rather than spend all their money. This contradicts the suggestion in the literature review that black diamonds live from month to month and have a larger tendency to spend and not save.

In analysing the findings in terms of expenses and credit, it is clear that money is being spent on bad debt (debt on expenses) instead of good debt (debt on assets). Over 70% of the black diamond respondents in study indicated they had a debit card overdraft facility and clothing account, more than 50% have a credit card and more than 30% have car finance. The high number of respondents with clothing accounts (71.4%) and cellphone contracts (88.2%) proves that the black diamond market segment is status driven.

4.3 Real estate developer and real estate agent responses

According to the real estate developers and estate agents, houses in the R50 000 to R550 000 price range have the highest demand for and the lowest availability. Another finding was that the demand for houses increased as the price range decreased. This indicates a shortage of houses in the middle- and lower-income housing market of Tlokwe municipal region.

All of the property experts in study indicated that they had observed a tendency amongst the black diamond market segment to move from the townships to the suburbs. The two main reasons for this were suggested as family and availability of houses.

4.4 Achievement of research objectives

The primary objective of this study was to determine whether there is a missing middle between the supply and demand of middle-income housing in Tlokwe municipal region priced between R50 000 and R550 000 across all four black diamond sub-segments. From the findings, the black diamond respondents indicated that they viewed purchasing a property as important, yet only 2.6% of the respondents indicated that they owned property. The reason for this apparent contradiction could be that there are limited properties available both in the townships and in the suburbs in the price range that they can afford. This reason is supported by the findings in terms of the price range respondents identified as the range in which they would consider purchasing a property (R50 000ï R550 000), with 84% of the respondents wishing to purchase a property in this price range in the future. This information clearly indicates a huge demand for houses in this price range. In the questionnaire completed by the real estate developers and estate agents, the same price range was identified as the one with the highest demand amongst the black diamond market segment. The real estate developers and estate agents indicated too that houses in this price range had the lowest availability in Tlokwe municipal region. Therefore, it can be deduced that there is a missing middle between the supply and demand of middle-income housing in Tlokwe priced between R50 000 and R550 000 across all four black diamond sub-segments.

The first secondary objective of the study was to determine whether there is a demand for middle-income housing in Tlokwe. Both groups of respondents from their perspective of the supply and demand side of housing indicated that there is a high demand for houses in the middle-income housing market segment in Tlokwe owing to this market not having been serviced efficiently by property developers and government agencies.

The second secondary objective was to identify the major reasons for the movement or lack of movement of the black diamond market segment in Tlokwe municipal region from the townships to the suburbs. All the real estate developers and estate agents indicated that they had observed a tendency amongst the black diamond market segment to move from the townships to the suburbs. The two main reasons indicated for this tendency by these respondents were family and availability of houses. Availability could also support the finding that there is a lack of middle-income houses available in the townships and therefore black diamonds need to relocate to the suburbs when wishing to purchase a house.

The third secondary objective was to determine whether there is a current availability of middle-income housing in Tlokwe municipal region. In the study, the real estate developers and estate agents indicated that houses in the price range of R50 000 to R550 000 have the lowest availability in Tlokwe municipal region. Therefore, it is concluded that there is insufficient availability of middle-income housing in Tlokwe municipal region.

The fourth secondary objective was to determine whether cultural and traditional reasons are the main reasons for not moving to the suburbs and rather staying in the townships. From the study, it was clear that cultural and traditional reasons had the least impact on black diamond respondentsô decision to live in townships. Therefore, it can be deduced that cultural and traditional reasons do not play an important role in black diamond respondents deciding to relocate from the townships to the suburbs.

The fifth secondary objective was to determine the importance the black diamond market segment in Tlokwe municipal region places on owning or investing in property in relation to other assets available to invest in. In the study, the majority (approximately 83%) of the black diamond respondents viewed owning a house as very important, with the remainder indicating that owning property is important to a certain extent. None of the respondents in study indicated that owning a property was not important at all.

The sixth secondary objective was to determine the credit and spending tendencies of the black diamond market segment in Tlokwe municipal region. The findings in terms of credit and expenses indicate that money is spent on bad debt (debt on expenses) instead of good debt (debt on assets). Over 70% of the black diamond respondents in the study indicated they had a debit card overdraft facility and clothing account, more than 50% had a credit card, more than 30% had car finance. The high number of respondents with clothing accounts (71.4%) and cellphone contracts (88.2%) demonstrates that the black diamond market segment is status driven and places emphasis on social networks, as suggested in the literature review. It is apparent therefore from the findings that the black diamond respondents have a tendency to use credit and spend their money on status items such as clothes and cars, and less on assets such as property or investments.

The seventh secondary objective was to determine whether black diamonds in Tlokwe municipal region have a tendency to save or live out their disposable income. Only 20% of all the respondents in the study indicated they did not save at all, whereas approximately 80% of the black diamond respondents indicated they did save. This finding suggests that the black diamond respondents have a tendency to save rather than spend all their money. This contradicts the suggestion in the literature review that black diamonds live from month to month and have a larger tendency to spend and not save.

4.5 Recommendations

The study has found that there is a shortage of middle-income houses (R50 000ï R550 000) in the Tlokwe municipal region. This finding holds implications for the role of government, the local council, banks and developers. It is recommended that these parties work together in finding solutions to meet the current and ever growing shortage of middle-income houses for the fast growing black diamond market in the Tlokwe municipal region and SA.

Recommendations for future studies identified in relation to the primary objective of the study are to conduct a larger research study in the Tlokwe region, as well as similar studies in various towns across the nine provinces in SA to determine the extent of the missing middle within SA. Recommendations for future studies identified in relation to the secondary objectives are to investigate the saving versus spending tendencies of the black diamond market segment owing to the contradictory findings between this study and the literature review. In addition, future studies could seek to determine the exact demand and supply of housing in Tlokwe municipal region in order to determine whether the demand for housing is sustainable and the number of houses needed to meet the demand for middle-income houses in Tlokwe municipal region.

APPENDIX A: QUESTIONNAIRE COVERING LETTER

Tlokwe municipal region Business School, MBA research: The evaluation of service delivery in the fast growing black diamond market

Background/context:

Raymano Venter is a final-year MBA student at the Tlokwe municipal region Business School.

This survey/ questionnaire forms part of a research report that is a partial fulfilment of the MBA degree. Your participation in completing this questionnaire will be sincerely appreciated in ensuring sufficient responses for this research project.

The context of the research deals with the shortfall of middle-income houses for the ever growing black diamond market. It also investigates the movement of the black middle-income market segment (black diamond) from townships to suburbs (demand side), as well as the availability of middle-income housing (supply side) in and around Tlokwe municipal region.

- All responses will be treated as private and confidential and will remain the property of the North-West University.
- Only aggregated data will be used in the results.
- Please complete the survey as honestly as possible.
- The survey takes approximately 10 minutes to complete, as the majority of the questions have multiple-choice answers.

Thank-you very much for completing the survey and responding.

APPENDIX B: BLACK DIAMOND RESPONDENT QUESTIONNAIRE

Section A: Demographic information

Please indicate your answers with an X, unless otherwise indicated.

Question 1: Age

16ï 20	**1**
21ï 25	**2**
26ï 30	**3**
31ï 35	**4**
36ï 40	**5**
41ï 45	**6**
45ï 50	**7**
>50	**8**

Question 2: Gender

Male	**1**
Female	**2**

Question 3: Marital status

Single	**1**
Married	**2**
Divorced	**3**
Widowed	**4**
Life partner	**5**
Other	**6**

Other (please specify)...

Question 4: Number of adults in household

1	2	3	4	5	6	7	8	9	10

Question 5: Area of residence

(Select only 1 option.)

Baillie Park	**1**
Van der Hoffpark	**2**
Ikageng	**3**
Promosa	**4**
Mohadin	**5**
Central Tlokwe municipal region	**6**
Miederpark	**7**
Mooibank Plots	**8**
Kanonierspark	**9**
Other	**10**

Other (please specify)..

Question 6: Educational level

(Select the highest level of education achieved.)

Secondary	**1**
Diploma	**2**
B. Tech. degree	**3**
Undergraduate degree	**4**
Honours degree	**5**
Master's degree	**6**
PhD	**7**
Other	**10**

Other (please specify)..

Question 7: Household average salary range (gross per month)

<R1 500	R1 501ï R3 000	R3 001ï R5 000	R5 001ï R10 000	R10 001ï R20 000	>R20 000
1	**2**	**3**	**4**	**5**	**6**

Question 8: Individual salary range (gross per month)

<R1 500	R1 501ï R3 000	R3 001ï R5 000	R5 001ï R10 000	R10 001ï R20 000	>R20 000
1	**2**	**3**	**4**	**5**	**6**

Question 9: Do you have M-Net or DStv?

Yes	**1**
No	**2**

Question 10: Your population group

(Select only 1 option.)

Black	**1**
Caucasian	**2**
Indian	**3**
Coloured	**4**
Other	**5**

Other (please specify)..

Section B: Housing information (demand side)

Please indicate your answers with an X.

Question 1: Which of the following statements describes your current situation in terms of accommodation the best?

I rent a house	**1**
I purchased the house I live in	**2**
I live with my parents	**3**
I live with family members	**4**
I own more than one house	**5**
Other	**6**

Other (please specify)..

Question 2: What percentage of your net income do you spend on accommodation/housing?

<10%	10%<15%	16%<20%	21%<25%	26%<50%	>50%
1	**2**	**3**	**4**	**5**	**6**

Question 3: How important do you consider owning a house?

Not important at all	A little important	Somewhat important	Very important
1	**2**	**3**	**4**

Question 4: What are the main factors you would consider when purchasing a house?

(Indicate the importance of each of the following according to a scale of 1ï 4, with 1 being very important and 4 being not important at all.)

Price	**1**	**2**	**3**	**4**
Location	**1**	**2**	**3**	**4**
Size(number of bedrooms)	**1**	**2**	**3**	**4**
Proximity to schools	**1**	**2**	**3**	**4**
Proximity to work	**1**	**2**	**3**	**4**
Investment growth potential	**1**	**2**	**3**	**4**
Investment growth potential	**1**	**2**	**3**	**4**
Safety	**1**	**2**	**3**	**4**
Luxury (swimming pool, etc.)	**1**	**2**	**3**	**4**
Status	**1**	**2**	**3**	**4**
Availability	**1**	**2**	**3**	**4**
Other	**1**	**2**	**3**	**4**

Other (please specify)..

Question 5: Which of the following would you prefer?

Build a brand new house	**1**
Buy an already built new house	**2**

Question 6: Where do you currently live?

In the township (Ikageng, Promosa, Mohadin)	**1**
In the suburbs (Tlokwe municipal region)	**2**

Question 7: If you currently live in the suburbs have you lived in the township before?

Yes	**1**
No	**2**

Question 8: If you live in the <u>TOWNSHIP</u> what are your main reasons for living there?

(Indicate the importance of each of the following according to a scale of 1ï 5, with 1 being not important at all and 5 being very important.)

Affordability	**1**	**2**	**3**	**4**	**5**
Location	**1**	**2**	**3**	**4**	**5**
Availability of houses	**1**	**2**	**3**	**4**	**5**
Proximity to schools	**1**	**2**	**3**	**4**	**5**
Proximity to work	**1**	**2**	**3**	**4**	**5**
Cultural reasons	**1**	**2**	**3**	**4**	**5**
Safety	**1**	**2**	**3**	**4**	**5**
Status	**1**	**2**	**3**	**4**	**5**
Family	**1**	**2**	**3**	**4**	**5**
Traditional reasons	**1**	**2**	**3**	**4**	**5**
Other	**1**	**2**	**3**	**4**	**5**

Other (please specify)..

Question 9: If you live in the <u>SUBURBS</u> what are your main reasons for living there?
(Indicate the importance of each of the following according to a scale of 1ï 5, with 1 being not important at all and 5 being very important.)

Affordability	**1**	**2**	**3**	**4**	**5**
Location	**1**	**2**	**3**	**4**	**5**
Availability of houses	**1**	**2**	**3**	**4**	**5**
Proximity to schools	**1**	**2**	**3**	**4**	**5**
Proximity to work	**1**	**2**	**3**	**4**	**5**
Cultural reasons	**1**	**2**	**3**	**4**	**5**
Safety	**1**	**2**	**3**	**4**	**5**
Status	**1**	**2**	**3**	**4**	**5**
Family	**1**	**2**	**3**	**4**	**5**
Traditional reasons	**1**	**2**	**3**	**4**	**5**
Other	**1**	**2**	**3**	**4**	**5**

Other (please specify)...

Question 10: If you currently own a house, when did you purchase your house?

1ï 6 months ago	7ï 11 months ago	1ï 2 years ago	3ï 5 years ago	6ï 10 years ago	>10 years ago
1	**2**	**3**	**4**	**5**	**6**

Question 11: If you currently own a house, in which price range is your house valued?

R50 000ï R150 000	**1**
R150 001ï R250 000	**2**
R250 001ï R350 000	**3**
R350 001ï R450 000	**4**
R450 001ï R550 000	**5**
R550 001ï R650 000	**6**
R650 001ï R750 000	**7**
R750 001ï R850 000	**8**
R850 001ï R1 million	**9**
More than R1 million	**10**

Question 12: If you do not currently own a house, in which price range would you be looking for a house to purchase?

R50 000ï R150 000	**1**
R150 001ï R250 000	**2**
R250 001ï R350 000	**3**
R350 001ï R450 000	**4**
R450 001ï R550 000	**5**
R550 001ï R650 000	**6**
R650 001ï R750 000	**7**
R750 001ï R850 000	**8**
R850 001ï R1 million	**9**
More than R1 million	**10**

Question 13: If you currently own a house, through which of the following channels did you purchase your house?

Estate agent	**1**
Developer	**2**
Directly from owner	**3**
Government	**4**
Through estate agent and developer	**5**
Other	**6**

Other (please specify)..

Question 14: If you currently own a house, through which financial institution did you receive financing for your house?

ABSA Home Loans	**1**
SA Home Loans	**2**
FNB	**3**
Nedbank Home Loans	**4**
Standard Bank Home Loans	**5**
Other	**6**

Other (please specify)..

Question 15: If you currently own a house, what was your main reason for purchasing a house/property?

Investment	**1**
Status	**2**
Family	**3**
Other	**4**

Other (please specify)..

Section C: Financial information

Please indicate your answers with an X, unless otherwise indicated.

Question 1: Which banking group do you bank with?

ABSA	**1**
Standard Bank	**2**
Nedbank	**3**
Capitec Bank	**4**
FNB	**5**
Other	**6**

Other (please specify)..

Question 2: What percentage of your monthly income do you save?

I do not save at all	**1**
1ï 10%	**2**
11ï 15%	**3**
16ï 20%	**4**
21ï 50%	**5**
>50%	**6**

Question 3: Do you plan for your monthly financial obligations by using a budget?

Yes	**1**
No	**2**

Question 4: Indicate whether you have any of the following.

(Mark 1 or 2.)

	Yes	No
Debit card (overdraft facility)	1	2
Home mortgage	1	2
Car/vehicle finance	1	2
Credit card	1	2
Clothing account (Truworths, Edgars, Markham, etc.)	1	2

Question 5: Indicate whether you have any of the following monthly personal expenses.

(Mark 1 or 2.)

	Yes	**No**
Car finance repayment	**1**	**2**
Study loan repayment (study fees)	**1**	**2**
Home loan repayment	**1**	**2**
Home rental expense	**1**	**2**
Cellphone contract payment	**1**	**2**
Credit card payment	**1**	**2**
Debit card overdraft payment	**1**	**2**
School fees	**1**	**2**
Groceries	**1**	**2**
Family support	**1**	**2**
Travelling costs (petrol)	**1**	**2**
Finisher account payments	**1**	**2**
Clothing account payments	**1**	**2**
Insurance cover	**1**	**2**
Retirement annuity	**1**	**2**
Medical aid	**1**	**2**
Pension contribution	**1**	**2**

Water and electricity bill	**1**	**2**
DStv or Internet bill	**1**	**2**
Other	**1**	**2**

Other (please specify)...

Survey complete

Thank-you very much for taking the time to complete the survey.

Should you wish to contact the researcher, please do so on 078 565 9273

APPENDIX C: REAL ESTATE DEVELOPER AND REAL ESTATE AGENT QUESTIONNAIRE

Question 1: Name and surname

……………………………………………………………..………………...

Question 2: Occupation

Developer	**1**
Real estate agent	**2**
Auctioneer	**3**
Bond originator	**4**
Transfer attorney	**5**

Question 3: Arrange the following housing price brackets from the highest to the lowest level of demand for houses in Tlokwe municipal region in your experience. **(**Use a scale of 1ï 5, with 1 being the highest level of demand and 5 being the lowest level of demand.)

R50 000ï R350 000	
R350 001ï R550 000	
R550 001ï R750 000	
R750 001ï R1 million	
>R1 million	

Question 4: Arrange the following housing price brackets from the highest level to the lowest level of availability of houses in Tlokwe municipal region in your experience.

(Use a scale of 1ï 5, with 1 being the highest level of availability and 5 being the lowest level of availability.)

R50 000ï R350 000	
R350 001ï R550 000	
R550 001ï R750 000	
R750 001ï R1 million	
>R1 million	

Question 5: Do you find there to be a tendency for black middle-class families to move from the townships into the suburbs?

Yes	**1**
No	**2**

Question 6: If you answered yes, what do you believe the main reasons for this movement to be?

(Mark the reasons in order of importance according to a scale of 1ï 5, with 1 being very important and 5 being the least important.)

Affordability	**1**	**2**	**3**	**4**	**5**
Location	**1**	**2**	**3**	**4**	**5**
Availability of houses	**1**	**2**	**3**	**4**	**5**
Proximity to schools	**1**	**2**	**3**	**4**	**5**
Proximity to work	**1**	**2**	**3**	**4**	**5**
Cultural reasons	**1**	**2**	**3**	**4**	**5**
Safety	**1**	**2**	**3**	**4**	**5**
Status	**1**	**2**	**3**	**4**	**5**
Family	**1**	**2**	**3**	**4**	**5**
Traditional reasons	**1**	**2**	**3**	**4**	**5**

Question 7: If you answered no, what do you believe the main reasons to be for the black middle class continuing to live in the townships?

(Mark the reasons in order of importance according to a scale of 1ï 5, with 1 being very important and 5 being the least important.)

Affordability	**1**	**2**	**3**	**4**	**5**
Location	**1**	**2**	**3**	**4**	**5**
Availability of houses	**1**	**2**	**3**	**4**	**5**
Proximity to schools	**1**	**2**	**3**	**4**	**5**
Proximity to work	**1**	**2**	**3**	**4**	**5**
Cultural reasons	**1**	**2**	**3**	**4**	**5**
Safety	**1**	**2**	**3**	**4**	**5**
Status	**1**	**2**	**3**	**4**	**5**
Family	**1**	**2**	**3**	**4**	**5**
Traditional reasons	**1**	**2**	**3**	**4**	**5**

Question 8: In your opinion and according to your experience, what percentage of your black middle-class clients' applications for finance is declined when applying for a home loan?

1ï 5%	**1**
6ï 10%	**2**
11ï 15%	**3**
16ï 20%	**4**
21ï 30%	**5**
>30%	**6**

Question 9: In your opinion and according to your experience, what percentage of applications for finance is declined when applying for a home loan?

1ï 5%	**1**
6ï 10%	**2**
11ï 15%	**3**
16ï 20%	**4**
21ï 30%	**5**
>30%	**6**

Question 10: Select the word that best completes the following statements:

Has the number of home finance applications by black middle-class clients é é é é é ?

	Increased	Decreased	Remained unchanged
Over the past 10 years	**1**	**2**	**3**
Over the past 5 years	**1**	**2**	**3**
Over the past year	**1**	**2**	**3**

Question 11: Select the word that best completes the following statement in terms of current housing situation in and around Tlokwe municipal region:

The supply of middle-income houses ranging between R250 000.00 and R750 000.00 is é é é é to meet current demand.

Only select 1 answer

Sufficient	**1**
Insufficient	**2**

Question 12: In your professional opinion, which of the following do you believe to be true in terms of the current housing situation in and around Tlokwe municipal region:

The demand for middle-income houses ranging from R250 000ï R750 000 will é é é é .. over the next 5 years.

Only select 1 answer

Increase	**1**
Decrease	**2**
Remained unchanged	**3**

Question 13: Arrange the following housing price range brackets, according to your professional opinion, from those that need to be serviced most urgently to those that need to be serviced least urgently in the next 1–5 years, based on the current availability of houses in these price range brackets in the Tlokwe municipal region housing market.

(Number each item from 1ï 5, with 1 being very urgent and 5 being the least urgent.)

R50 000ï R350 000	
R350 001ï R550 000	
R550 001ï R750 000	
R750 001ï R1 million	
>R1 million	

Survey complete

Thank-you very much for taking the time to complete the survey.

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