
**THE LIVING STANDARDS MEASURE AS A MARKET
SEGMENTATION TOOL FOR SELECTED RETAILERS**

by

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ABSTRACT

LIVING STANDARDS MEASURE AS A MARKET SEGMENTATION TOOL FOR SELECTED RETAILERS

Businesses have realised that they cannot appeal to all consumers in the marketplace. Consumers are too numerous, geographically wide-spread, and too varied in their needs and buying practices. Furthermore, the businesses themselves vary widely in their abilities to serve different segments of the market. Businesses consequently conduct market segmentation to identify the parts of the market that it can best serve and most profitably. Therefore, the goal of this study was to determine the actual target markets of selected retailers by means of the Living Standards Measure (LSM) tool, and to recommend improved marketing strategies based on the Media Groups Measure (MGM) tool.

The objectives of the study were to describe market segmentation by emphasising its importance and discussing the market segmentation process. Further objectives include explaining the application of the LSM- and MGM-tools in identifying target markets and selecting media to reach these target markets, and to conduct an empirical investigation on the application of the LSM tool for the selected retailers.

A market segmentation strategy concentrates the business' marketing efforts on consumers who have a similar interest in the business' values. Therefore, market segmentation enables the business to identify consumer needs more accurately. The aforementioned assists the business in creating a basis for developing products to satisfy consumer needs. The basis is developed by the identification of the attributes that are of value to consumers.

Market segmentation furthermore assists in the development of an effective marketing mix, tailored to the business' strategies and objectives. A proper

marketing mix can determine the promotional appeal, media choices, and the prices consumers are willing to pay.

The LSM and MGM are only two of the variety of segmentation tools that can be used to segment a heterogeneous market. The LSM is a relatively new and unknown instrument – in comparison with other segmentation tools – and was specifically developed for the South African market. It is furthermore a multivariate segmentation tool, consisting of 29 household variables, which excludes discriminators such as race and income. The MGM-tool is used to obtain media consumption information on market segments. Its primary function is to assist businesses in selecting media that are most effective in reaching their target markets.

The most important conclusions of this study are that the current target markets of Shoprite Checkers and Pick 'n Pay in Potchefstroom differs from their actual target markets. Gender and age do not differentiate shoppers significantly, and although race and income are not included as differentiators in the LSM index, these two variables correlate strongly with the various LSM-groups.

Some of the most important recommendations include:

- The headquarters of both retailers should consider developing differentiated marketing strategies for stores in different locations.
- Shoprite Checkers and Pick 'n Pay (in Potchefstroom) should both target SU-LSM groups 6 to 10.
- Both retailers should adapt their marketing efforts in order to provide for the local market in Potchefstroom.

The recommendations will enable the retailers to enhance their business and marketing efforts, and accordingly satisfy the needs of their customers.

OPSOMMING

“LIVING STANDARDS MEASURE” AS ‘N MARKSEGMENTERINGSINSTRUMENT VIR GESELEKTEERDE HANDELAARS

Ondernemings het beseef dat alle verbruikers in die mark se behoeftes nie bevredig kan word nie. Verbruikers is te veel, wyd verspreid, en te verskillend in hul behoeftes en aankooppatrone. Verder verskil ondernemings self te veel in hul vermoëns om onderskeie segmente te bedien. Ondernemings voer dus marksegmentering uit, om sodoende die onderskeie dele van die mark wat hul die beste kan bedien en die mees winsgewende mark te identifiseer.

Die doel met die studie was dus om te bepaal wat die eintlike teikenmarkte van geselekteerde handelaars is, deur gebruik te maak van die “Living Standards Measure” (LSM) instrument, en om verbeterde bemarkingstrategieë voor te stel wat gebaseer is op die “Media Groups Measure” (MGM) instrument.

Die doelwitte van die studie was om marksegmentering te omskryf deur die belangrikheid daarvan te beklemtoon en die marksegmenteringsproses te verduidelik. Verdere doelwitte sluit in die verduideliking van die toepassing van die LSM- en MGM-instrumente in die identifisering van teikenmarkte en selektering van media om hierdie teikenmarkte te bereik, asook om ‘n empiriese ondersoek te loods op die aanwending van die LSM-instrument op die geselekteerde handelaars.

‘n Marksegmenteringstrategie fokus die onderneming se bemarkingspogings op verbruikers wat soortgelyke belangstelling toon in die onderneming se waardes. Gevolglik stel marksegmentering die onderneming in staat om sy kliënte se behoeftes meer akkuraat te identifiseer. Voorgenoemde ondersteun die onderneming om ‘n basis vir die ontwikkeling van produkte vir die bevrediging van verbruikersbehoefte te ontwikkel. Die basis is ontwikkel deur die identifisering van die eienskappe wat waarde toevoeg vir die verbruikers.

Marksegmentering ondersteun ook verder die ontwikkeling van 'n effektiewe bemarkingsmengsel wat aangepas word by die ondernemingstrategie en doelwitte. 'n Goeie bemarkingsmengsel kan die promosionele trefkrag, media keuses en pryse wat verbruikers gewillig is om te betaal vasstel.

Die LSM en MGM is slegs twee van 'n verskeidenheid segmenteringsinstrumente wat aangewend kan word in die segmentering van 'n heterogene mark. Die LSM is 'n relatiewe nuwe en onbekende instrument – in vergelyking met ander segmenteringsinstrumente – en is spesifiek vir die Suid-Afrikaanse mark ontwikkel. Dit is ook 'n multiveranderlike segmenteringsinstrument wat uit 29 huishoudelike veranderlikes bestaan, en diskriminerende veranderlikes soos ras en inkomste weglaat. Die MGM-instrument word weer gebruik om media verbruikersinligting oor die marksegmente te verkry. Die primêre funksie is om ondernemings te ondersteun in die selektering van media wat die teikenmarkte die beste sal bereik.

Die mees belangrike gevolgtrekkings wat gemaak kan word, sluit in dat die huidige teikenmarkte van Shoprite Checkers Checkers en Pick 'n Pay in Potchefstroom verskil van hulle eintlike teikenmarkte. Geslag en ouderdom onderskei kopers nie betekenisvol nie, en alhoewel ras en inkomste nie in die LSM-indeks ingesluit word nie, hou die twee veranderlikes wel sterk verband met die onderskeie LSM-groepe.

Sommige van die belangrikste aanbevelings sluit in:

- Die hoofkantore van albei handelaars moet dit oorweeg om gedifferensieerde bemarkingstrategieë vir die verskillende handelaars in verskillende areas te ontwikkel.
- Beide Shoprite Checkers en Pick 'n Pay (in Potchefstroom) moet SU-LSM-groepe 6 tot 10 teiken.
- Albei handelaars moet hulle bemarkingstrategieë aanpas om sodoende die plaaslike mark in Potchefstroom te bereik.

Die aanbevelings sal die handelaars in staat stel om hul besigheids- en bemarkingspogings te bevorder, en sodoende hul kliënte se behoeftes te bevredig.

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LIST OF KEY TERMS

Market

Target market

Market segmentation

Living Standards Measure

Media Groups Measure

CHAPTER 1

INTRODUCTION, MOTIVATION, GOAL AND METHOD

1.1 INTRODUCTION

The study of market segmentation is an intricate one, frequently raising many questions not easily answered. Several studies attempted to determine the relationship between particular consumer variables and consumers' purchasing behaviour. Too often, however, some of these studies are disappointing, mainly because they only reveal that these variables are redundant in explaining consumers' behaviour (Levy, 1999:297).

Marketers soon realised that it would be practically impossible to satisfy every customer or consumer, since each individual has different needs, preferences, resources and behaviours (Recklies, 2001). Given that all people differ in their requirements, each individual can be seen – taken to its extreme – as a unique market segment (McDonald, 2000:81).

The change in demand patterns, encouraged by the aspiration for higher living standards and individualism, originates from the fact that consumers are becoming more demanding in exercising their choice (Lancaster & Reynolds, 1998:27). It is mainly these differences and changes that brought about the need to segment large diverse markets (Levy, 1999:297).

1.2 KEY TERMS

Some terms that are frequently used throughout this study need clear explanation. These key terms include the terms market, target market, market segmentation, Living Standards Measure (LSM) and Media Groups Measure (MGM).

1.2.1 Market

A market can be described as a group of customers with specific needs or wants, which has the ability (income) and authority to purchase these needs or wants (Lamb, Hair & McDaniel, 2000:212). A market can furthermore consist of either consumers (individuals) or businesses (Nickels and Wood, 1997:192). For the purpose of this study, the focus will be on the consumer market.

1.2.2 Target Market

A target market consists of a group of individuals (or businesses) with similar characteristics, for which a marketing mix can be designed, implemented, and maintained in order to meet the needs of that group (Lamb *et al.*, 2000:227).

1.2.3 Market Segmentation

Market segmentation entails the process of dividing a large, diverse market into smaller groups (segments) that are similar in character (Gilbert, 1999:201).

1.2.4 Living Standards Measure

The Living Standards Measure (LSM) is a market segmentation tool that segments an individual or market, based on their socio-economic status (SAARF, 2004). Criteria such as degree of urbanisation, possession of major assets and access to services are some of the variables used in the LSM (Haupt, 2001a).

1.2.5 Media Groups Measure

The Media Groups Measure (MGM) is a tool designed to obtain media consumption information on selected market segments. It furthermore assists businesses in selecting media that are most effective in reaching their target

markets (SAARF, 2002b). Readers, listeners, viewers, cinemagoers, Internet users and those exposed to outdoor media, can be identified and profiled by means of the MGM (SAARF, 2003).

1.3 MOTIVATION FOR THE STUDY

The research topic, reasons for its selection and need for the study emphasise the motivation for this study.

The focus of this study is to identify the target markets of selected retailers in Potchefstroom, as well as to determine the media these stores can use to target their related target markets. The target markets were identified by means of the South African Advertising Research Foundation Universal Living Standards Measure (SAARF Universal LSM), and the types of media, by means of the Media Groups Measure (MGM).

The aforementioned formed a basis on which could be determined whether these stores are targeting the correct market and whether they are making use of the appropriate marketing activities for the related target markets. It was also possible to compare the different stores' targeted LSM-groups.

Market segmentation, according to Rix (2004:93), is the process of dividing a large heterogeneous market into smaller, relatively homogeneous segments. Segmenting a market is of utmost importance for any type or kind of business. If a business is able to divide a large market into smaller segments with different preferences and adjust its product accordingly, the business has the opportunity to increase its competitive position (McDonald, 2000:81).

The SAARF Universal LSM (SU-LSM) is a market segmentation tool, assisting businesses in directing their marketing activities. As with any other market segmentation tool, the LSM was designed to divide a large market into smaller, relatively homogeneous groups (Anon, 2002). The major difference, however, of

this specific segmentation tool, is that it is based on a set of marketing differentiators which groups people according to their living standards rather than their income. The LSM is therefore a wealth measure using criteria such as degree of urbanisation and ownership of major assets (SAARF, 2001b).

The population framework used for this study includes selected retailers in Potchefstroom. Two major chain supermarkets, Pick 'n Pay and Shoprite Checkers, form the basis of the research. Due to the large amount of supermarkets, including local and chain supermarkets in Potchefstroom, only these two specific supermarkets were included in the framework. Recommendations could, therefore, only be made to these participating stores based on the research conducted.

1.3.1 Reasons for Selecting the Topic

The LSM as a market segmentation tool was selected for this study, mainly because it is a relatively unknown instrument for Potchefstroom businesses. However, according to Haupt (2001a), it has become one of the most widely used market research tools in South Africa. Seeing that the LSM cuts across obsolete methods of categorising people – such as race – the LSM became a distinctive means of segmenting the South African market.

As mentioned, the LSM categorises people according to their living standards rather than their income, and since this is a multivariate segmentation tool – constructed from twenty-nine (29) individual variables – it is a much stronger differentiator than any other single segmentation tool (SAARF, 2002b).

Market segmentation was selected as a study field, since it is evident that it is becoming essential to divide such a large and diverse market as the South African consumers into smaller and relatively similar groups. No single product and associated marketing program can effectively serve an entire market (Kotler

& Armstrong, 2004:238), especially a heterogeneous market such as South Africa.

Pick 'n Pay and Shoprite Checkers were chosen as research framework, since these specific stores' formats are basically similar. Both stores are major South African chain supermarkets, providing relatively similar types of food- and non-food products (Terblanché, 1998:121). They furthermore form the largest supermarkets in Potchefstroom, and are both located in the CBD (central business district) of this city. It was therefore important to identify whether these two stores can be compared in terms of their customers, and whether their marketing activities are directed towards the appropriate segments.

1.3.2 The Need for the Study

The reason for undertaking the study is to determine whether Pick 'n Pay and Shoprite Checkers are currently focussing on the appropriate target markets, and whether the current media these stores use fit the LSM-groups that actually purchase from them. Finally, recommendations have been made to the participating stores, in order to assist them in directing their marketing activities.

1.4 AIM OF THE STUDY

The following overall goal and objectives clarify the aim of the study:

1.4.1 Goal

The overall goal of this study is to determine the actual target markets of selected retailers in Potchefstroom by means of the LSM-tool, and to recommend improved marketing strategies based on the MGM-tool.

1.4.2 Objectives

To achieve the above aim, the objectives of the study are to:

- describe market segmentation by emphasising its importance and discussing the market segmentation process
- explain the application of the LSM- and MGM-tools in identifying target markets and selecting media to reach these target markets
- conduct an empirical investigation on the application of the LSM-tool in the selected retailers

1.5 DEMARCATION OF THE FIELD OF STUDY

To achieve the goal and objectives of the study, the population, sample size and sampling method needed to be determined.

1.5.1 Population

A population can be defined as the total group of elements (people or items) on which research is directed (Blankenship, Breen & Dutka, 1998:152). The population for this study is the customers of Pick 'n Pay and Shoprite Checkers in Potchefstroom. However, due to Shoprite Checkers's agreement with its own market researchers, the store did not want to disclose its retailing habits to this study's researcher. Therefore, the precise number of this store's customers was not available to the researcher, which consequently influenced the process of determining the sample size for both stores.

1.5.2 Sample Size

A formula provided by the Statistical Consultation Services (SCS) of the Potchefstroom Campus of the North-West University was used to obtain a valid sample size. A sample, according to Berenson & Levine (1996:3), is the portion

of the population that is selected for analysis. The following formula can be used to determine the size of a relationship sample, as in this specific instance.

Formula (Steyn, Smit, Du Toit & Strasheim, 1998:397):

$$n \geq \frac{(1,96)^2 (p)(1-p)}{e^2}$$

n	–	sample size
p	–	proportion
e	–	deviation %

However, as mentioned, the exact size of the population is not known, which has the following impact on the formula. According to the SCS, the following can be assumed:

• * If the proportion (p) is unknown to the researcher, then $p = \frac{1}{2}$. • *

The following formula was therefore used for this study:

$$n \geq \frac{1}{e^2}$$

n	–	sample size
e	–	deviation %

A 5% deviation was allowed, thus meaning that the information obtained from the sample is 95% accurate of the entire population.

$$n \geq \frac{1}{(0,05)^2}$$

n	–	sample size
5%	–	deviation %

$$\therefore n \geq 400$$

The sample size for this study should accordingly be a minimum of 400 customers for each store, thus 800 respondents in total.

1.5.3 Sampling Method

Due to Shoprite Checkers's inability to provide information on its retailing habits, such as number of transactions per day or per month, no specific sampling method could be used. Customers were randomly stopped at the respective stores, and asked to complete the short questionnaire.

Questioning respondents on different days of the week, and at different times of the day ensured the validity and randomness of this study. Therefore, to ensure that all the customers had a chance to form part of the study, all the business hours of the two stores have been covered.

The empirical study furthermore took place over a period of three weeks to ensure the coverage of a large part of the diverse amount of customers, and to make the study more viable. The days and times on which the customers were questioned are included in Appendix A.

1.6 RESEARCH METHODOLOGY

The Internet enables fast and economic access to a vast variety of data sources and therefore played a major role in collecting secondary data (Bevan-Dye, 2002:5). Secondary sources were used to provide background information on the specific topic of research.

1.6.1 Literature Study

According to Struwig and Stead (2001:38), a literature study involves the tracing, identifying and analysing of documents that contain information related to the specific research topic.

Literature on the background of market segmentation and the market segmentation process was obtained from secondary sources such as books,

published articles, journals and the Internet. Non-published material relevant to the study was gathered by means of questionnaires directed at the selected sample.

A literature study on the nature of SAARF and the development of the LSM tool was conducted. The functioning of the SU-LSM, as well as the role of the MGM has been examined. In comparison with other segmentation methods, this specific topic of research is relatively new and unknown, and secondary sources on the LSM and MGM were therefore quite limited. Information on the aforementioned was thus mainly obtained from the Internet, the SAARF handbook and -compact disk.

1.6.2 Empirical Research

Information was gathered by means of an empirical study, which according to Struwig and Stead (2001:222) involves the obtaining of data by employing questionnaires or conducting interviews.

A questionnaire was compiled for the customers of the selected stores to obtain information regarding their living standards. Fieldworkers – which were placed outside the entrances of the selected stores – questioned the respondents upon exiting the store. The fieldworkers consisted of three Baccalaureus Commericii students of the North-West University (Potchefstroom Campus), which were pre-informed on the study, its purposes and the workings of the questionnaire to be completed. The researcher was present during each of the surveying sessions, in order to ensure no misunderstandings occurred.

The questionnaire consisted of:

- Multiple-choice questions, which provide a fixed number of answers, to which respondents must select one or more options (Du Plooy, 2001:142).

- Dichotomous questions, which offer a choice between two options only (Struwig & Stead, 2001:94).

Information on the selected stores' target markets and marketing activities were obtained from their respective headquarters. Information that could not be obtained from the headquarters was obtained by means of the Internet.

1.6.3 Research Design

Due to the exploratory nature of this study, a hypothesis was not formulated. The questionnaires served as a basis for further research.

a) Questionnaire design

Since respondents were stopped for questioning during their shopping process, the questionnaires needed be kept relatively short. The compilation of the questionnaire was therefore verified by SCS to ensure that all the required information and accurate, meaningful statistical results could be obtained from the questionnaire. The questionnaire therefore only consists of two sections – see Appendix B:

- The first section gathered demographic information of respondents. This included demographics such as area of residence, population group, education, age, gender and monthly income. Multiple-choice questions were used to gather this information.
- The second part concentrates on the respondents' living standards. The LSM-variables were applied as dichotomous questions in this section.

b) Data analysis procedure

All the questionnaires were numbered for statistical purposes. After completion of the questionnaires, the data was entered into the Epi Info 6

(Version 6.02 – October 1994) programme. The processed data was then provided to the Statistical Consultation Services (SCS) of the North-West University (Potchefstroom Campus) for further processing by means of the SAS system (SAS Institute Inc., 1989). The SCS analysed the questionnaires to ensure accuracy and correct interpretation of the results.

1.6.4 Statistical Analysis

The Cronbach's coefficient alpha analysis was conducted to determine the reliability of the testing method used in this study. The average correlation of the 29 SU-LSM variables was determined to ensure that the average alpha coefficient was large enough for the study to be reliable.

A frequency analysis was carried out to determine the strength of each of the questions asked. This analysis consisted of the frequency, percentage, cumulative frequency and cumulative percentage of the respondents' answers.

A relationship analysis was done between the variables of the two participating stores (Shoprite Checkers and Pick 'n Pay), to determine the comparison of these two stores' customers. In order to test the significance of these relationships, an effect size needed be calculated by means of Chi-square tests. Data with a large effect ($w \geq 0,5$) is considered to be practically significant (Cohen, 1988:109-111).

The multi-way frequency tables (relationship analysis) were further analysed by means of a correspondence analysis. That is, plotting the row and column categories of a multi-way frequency table on one diagram. Row and column categories that have similar profiles will appear in close proximity on the plot. A value close to zero on the plot indicates no interaction (association) between the row and column categories. These interpretations can only be in relative terms, and not in an absolute sense (Bartholomew, Steele, Moustaki & Galbraith, 2002:90).

1.6.5 Research Procedure

After determining the research topic, the population and the sample size, the next step was to gather as much information as possible on the subject, for a complete literature study. After sufficient gathering of literature background, the questionnaires were compiled in such a way that the study's objectives could be achieved.

The questionnaire was evaluated and pre-tested until of high standard and presentable. The questionnaires were then distributed in front of the main entrance of the relevant stores to customers exiting the store. In total, 980 questionnaires (490 for each store) were completed. After completion of the questionnaires, the data was entered into the Epi Info 6 programme and stored on a diskette, which in turn was provided to SCS for statistical analysis.

The analysed information was then evaluated in order to make conclusions and recommendations. The objectives of the study, literature information and the empirical information obtained, determined the nature of the recommendations made.

The information on the stores' current target markets and marketing activities were obtained by means of the Internet (the retailers' homepage). Some information was not available publicly and was acquired by contacting the respective retailers' headquarters.

1.6.6 Limitations of the Study

A number of obstacles influenced the even course of events throughout the study:

- 1) Shoprite Checkers refused approval of questioning their customers in their store.

- 2) The gathering of the empirical information was relatively time consuming, due to the large sample that had to be obtained.
- 3) It was difficult to convince the respondents to be questioned, especially during the busy times of the day.
- 4) It was difficult to find literature on the LSM- and MGM-tools, since these topics are relatively new and sources are limited.

The abovementioned limitations were overcome by:

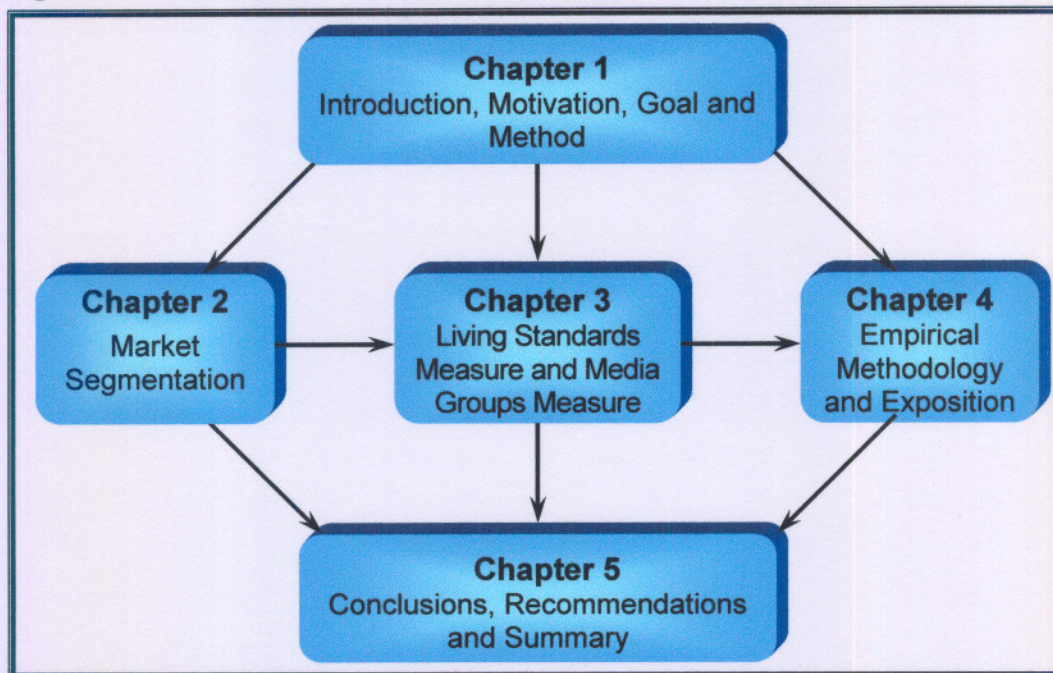
- 1) Surveying Shoprite Checkers's customers, on exiting the store, outside of the store's entrance.
- 2) Making use of four fieldworkers to assist in the questioning of the customers, and developing a carefully planned schedule to optimise the available surveying time (see Appendix A).
- 3) Maintaining a friendly, persistent attitude towards potential respondents.
- 4) Examining every possible source that contained information on the LSM- and MGM-tools.

1.7 DIVISION OF CHAPTERS

The study is divided into five chapters (see Figure 1-1). Chapters two and three consist of a literature study on market segmentation and the LSM. The empirical methodology and exposition are integrated into chapter four and concluded in chapter five.

Chapter 1 provides a general scope of the entire study and explains the procedures to be followed. It includes: an introduction, motivation for the study, problem definition and objectives, more about the questionnaire itself and method of sampling used.

Figure 1-1 Chapter division



Chapter 2 defines market segmentation; outlines the importance of segmenting and provides a detailed explanation of the different steps in the market segmentation process.

Chapter 3 describes the nature of SAARF and why LSM was developed. The development of LSM over the years is also discussed, with a more in-depth look on the Universal LSM classification method. The MGM-tool is explained to provide a background on the selection of the most appropriate media for a specific target market.

Chapter 4 outlines the methodology of the empirical study and gives an exposition of the empirical information. The questionnaire design is explained in detail, containing information on the sample design, sample size, and lastly the processing, analysing and evaluation of the data. The empirical information on the LSM-categories of the respondents is analysed.

Chapter 5 conclusions regarding the respondents and recommendations to participating retailers in Potchefstroom are made in this chapter. Finally, a summary of the entire study is provided.

CHAPTER 2

MARKET SEGMENTATION

2.1 INTRODUCTION

Customers form the most important aspect of any business. If a business is unable to identify its customers, or what they prefer to buy, the business is unlikely to survive (Newman & Cullen, 2002:121). Therefore, the basic significance of the marketing concept is to place customers' needs at the centre of the business' activities and decision-making (Lancaster & Reynolds, 1998:27).

In order for a business to plan its marketing strategy, it is important to identify its customers and their purchasing behaviour (Newman & Cullen, 2002:121). The heterogeneous nature of customers makes the aforementioned a challenging task (Lancaster & Reynolds, 1998:27; Bagozzi, Rosa, Celly & Coronel 1998:175). It is therefore necessary to break this heterogeneous group of customers down into meaningful groups that are large enough; and willing to spend money on their specific needs or wants (Newman & Cullen, 2002:121).

To understand market segmentation, it is necessary to: define market segmentation; distinguish between needs and wants; explain the market segmentation process' sequential relationship with the rest of the chapter; define markets and the different types of markets; indicate the various levels of market segments; identify bases on which markets can be segmented; identify target market strategies; clarify the meaning of positioning; and design an effective marketing mix.

2.2 BACKGROUND ON MARKET SEGMENTATION

Market segmentation was first acknowledged in the 1950s, when product differentiation was seen as the most popular marketing strategy. During the

1970s and 1980s, market segmentation unintentionally commenced as a way of increasing sales and obtaining a competitive advantage. In the 1990s, target marketers discovered more sophisticated techniques to reach possible buyers with the most customised offering possible, of which included market segmentation (DSS Research, 2004).

Most businesses soon realised they cannot effectively serve all the segments in a market, and must instead target their marketing efforts to a particular customer group (Lancaster & Reynolds, 1998:28). Allen (1999) noted that the selection of the most desirable target market presently forms an important part of planning a marketing strategy. The marketing concept emphasises that marketing will be more effective if it is customised according to the unique needs of each target market.

2.2.1 Market Segmentation Defined

Since market segmentation plays an essential part in this study, it is imperative to extensively define the term 'market segmentation' before comprehensively examining its process and workings.

Market segmentation can be defined as the process of dividing a market into meaningful, relatively similar, and identifiable groups (Lamb *et al.*, 2000:212).

Market segmentation can also be seen as the process of breaking down the total market, for a product or service, into different segments where each segment may represent a separate target market to be reached with a unique marketing mix (Lancaster & Reynolds, 1998:27).

According to Gilbert (1999:201), market segmentation entails the breaking down of a large diverse market into smaller subsections in which there is some similarity of character.

In this study, market segmentation is defined as *the process of dividing a large heterogeneous market into smaller groups of customers that are internally homogeneous, but distinct from each other* (Bagozzi *et al.*, 1998:157). These groups can each be seen as a distinct target market that can be reached with its own exclusive marketing mix.

Sometimes the differences in customers' needs, wants and behaviours are rather small, and the same marketing mix can be used to satisfy these customers. However, in most markets customers are reluctant to compromise on the same marketing mix, and separate marketing mixes need to be designed (Rix, 2004:93).

The terms 'needs' and 'wants' are generally used interchangeably, and are often accepted to mean the same. Therefore, before attempting to proceed with the clarification of markets and market segmentation, it is necessary to be able to distinguish between customers' needs and wants.

Rix (2004:5) defines customer needs as the basic feeling of dispossession. Thus, a need is a basic requirement that a customer desires to satisfy (Anon, 2004a).

Customer wants, on the other hand, can be seen as a desire for a specific product or service that satisfies an underlying need (Anon, 2004a). 'Wants' is thus a specific form that a need might adopt (Rix, 2004:5).

2.3 IMPORTANCE OF MARKET SEGMENTATION

Market segmentation is a technique that is commonly accepted as one of the prime pre-requisites for successful marketing (WestGroup Research, 2004). Bagozzi *et al.* (1998:175) notes that the underlying objective of market segmentation is to improve marketing performance from what it was in the past.

Market segments vary in size and potential, marketers therefore make use of segmentation to accurately define the business' marketing objectives and to better allocate resources. With clear objectives, a business can more accurately evaluate its performance, which in the end leads to increased efficiency (Lamb *et al.*, 2000:213).

In addition, marketers can now more carefully analyse the wants, needs and behaviours of potential customers, which provides the opportunity to develop products and marketing programmes aimed at these specific needs and wants (Nickels & Wood, 1997, 221).

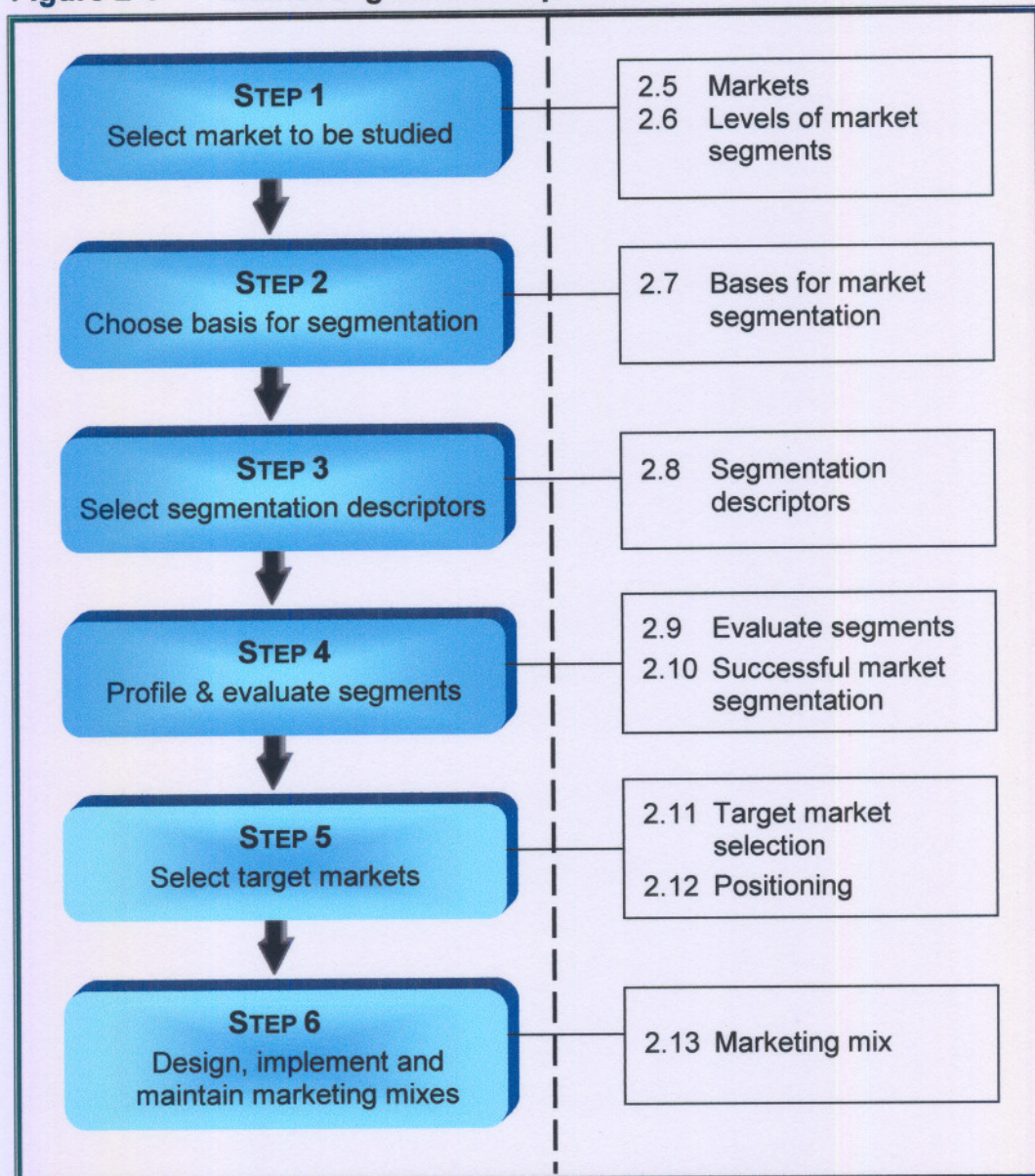
2.4 MARKET SEGMENTATION PROCESS

The market segmentation process consists of six distinct steps. However, steps five and six follow market segmentation and are in fact marketing activities that form the basis on which decisions about the product, its pricing, distribution and promotion are made (Lamb *et al.*, 2000:226).

Although market segmentation is the focus of this study, it is necessary to look into the steps preceding and following the actual segmentation procedure. Figure 2-1 illustrates the sequential relationship between the various steps of the market segmentation process and its ultimate contribution to the rest of the chapter.

Marketers need to keep in mind that markets are dynamic in nature, meaning that an entire market is subject to change. Since people's needs and wants can change abruptly, segments within a market are also subject to changes in growth (Allen, 1999). Thus, even though a business follows all the steps in the market segmentation process, it should also be able to respond to environmental changes that may have an influence (Nickels & Wood, 1997:225).

Figure 2-1 Market segmentation process



Source: Adapted from Lamb *et al.* (2000:227).

2.5 MARKETS

One of the primary problems marketers are faced with when attempting to clarify market segmentation is to determine what is meant with a 'market' and of whom a market consists of (Monash University, 2004). Before a business can start segmenting a market, it evidently has to be able to clearly define its market.

2.5.1 Market Defined

Marketers generally define a market as including all the actual and potential buyers of a product or service. Many potential buyers, however, only purchase the product or service several years after the product is launched (Monash University, 2004).

A market can consequently be defined as a group of customers with specific needs or wants, and have the ability, income and authority to buy the specified needs or wants (Lamb et al., 2000:212).

Defining a market is one of the first steps that need to be taken, since this is the starting point for market segmentation, as well as the formulation of a marketing strategy. An exact market definition can aid a business to narrow down the market by eliminating segments that would not buy its product, regardless of the benefits it offers (Bagozzi et al., 1998:177).

It is often assumed that countless individuals comprising the market are waiting and willing to respond to a business' offerings. However, the 'market' is not a single, consistent unit; it consists of contrasting, developing, and considerably diverse human beings. Each one of these individuals lives in different circumstances than another (Yankelovich, 1999).

2.5.2 Characteristics of Markets

Lamb et al. (2000:212) identified the following general characteristics that markets must have:

- Markets must consist of people or businesses.
- These people or businesses must have wants or needs that can be satisfied by specific product or service offerings.

- They must have the ability (usually money) to purchase the products or services they desire.
- They must be willing to trade their resources (usually money) for the desired products or services.

However, to identify a specific market can be quite challenging, since a market might range from a single buyer to billions of buyers, concentrated or spread all over the world. A business thus needs to take its resources, as well as strategies, into account when making decisions on defining its market (Monash University, 2004).

2.5.3 Types of Markets

Markets can consist of either consumers or businesses.

- **Consumer market**
A consumer market consists of final consumers (individuals) and / or households that purchase products or services for personal use (Nickels & Wood, 1997:192).
- **Business market**
The business market consists of producers, resellers or governments that buy products for the purpose of producing products, reselling to other customers, or the carrying out of governmental functions (Townley, 2001).

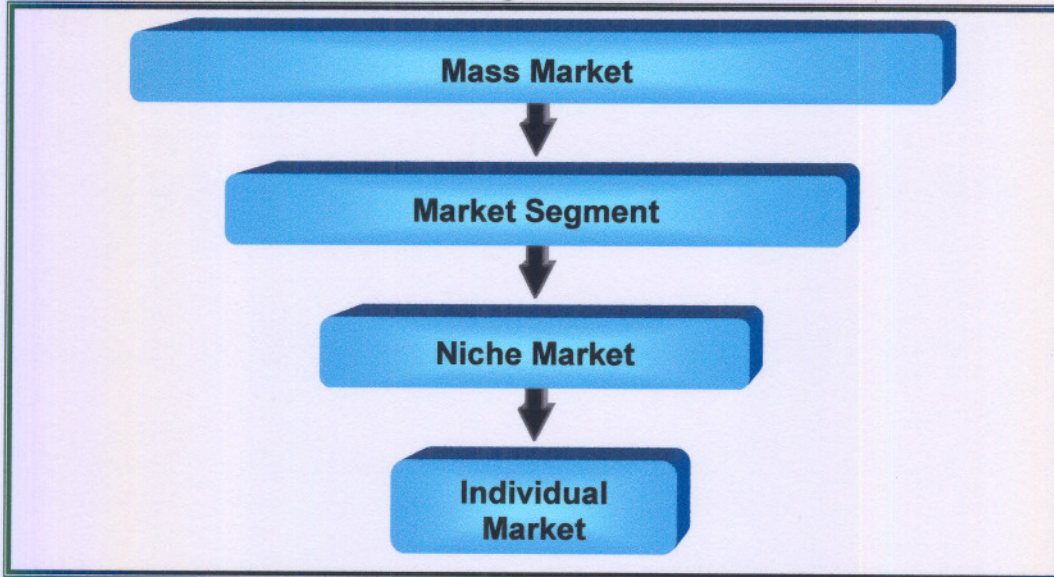
Due to the nature of this study, research will focus only on consumer markets, more specifically, consumer markets in the retailing industry.

2.6 TYPES OF SEGMENTS

To simplify the identification of a business' potential customers, the business should decide whether it wants or needs to segment a market (Allen, 1999).

Various levels exist on which a business can segment a market. Figure 2-2 illustrates these levels, starting out with the largest segment (mass market), and proceeding on to the smallest segment (individual market).

Figure 2-2 Levels of market segments



Source: Thompson (2000).

2.6.1 Mass Markets

A business that prefers not to segment markets chooses a mass-market approach, where the same product or service is offered to all customers. Thus, marketers either assume that all customers desire the same product or service or they deliberately ignore the customers' differences (Allen, 1999). With this approach, only one marketing mix is used to aim at the entire consumer market, and is often referred to as the 'one size fits all' marketing approach (Nickels & Wood, 1997:220).

Production-, advertising- and marketing research costs are considerably lower with a mass market approach, since it consists of only one product offering (Brink, 1998:66). Although cost per unit may be lower, the overall costs are higher with this approach, since the entire market needs to be targeted. Mass

marketing is also unable to meet the different consumer needs and wants effectively (Deveau, 2004).

Mass marketing is thus generally more successful when competition is limited or the product has mass appeal (Bull & Passewitz, 2003).

The market segmentation process commences by defining the overall mass market (Belch & Belch, 2001:50). However, mass markets are usually too heterogeneous to effectively target with a single marketing programme, which means that it should be segmented into smaller sub-markets (Allen, 1999).

2.6.2 Market Segments

Since the goal is to identify groups of customers within a mass market that are homogeneous in terms of their wants, needs and buying behaviour, the mass market can be sub-divided into a succession of segments. Each of these segments is internally more similar in characteristics than the mass market (Thompson, 2000).

To proceed on the definition of market segmentation – market segments consist of individuals that have similar, but not necessarily identical, wants or needs (Allen, 1999). Consumers within a specific market segment also hold similar buying-related characteristics. However, even though consumers within a given segment are similar to one another in certain areas, they will never be identical. It might therefore be preferable to refer to customers within segments as having 'overlapping' needs, wants or purchasing behaviours (Thompson, 2000).

Market segmentation assists businesses to understand their customers' way of thinking and behaving, thus enabling them to form a meaningful image of consumers' needs, wants, perceptions and shopping behaviours (Belch & Belch, 2001:45). For a business to satisfy its customers' needs better than competitors,

the business needs to effectively implement market segmentation (Dunne, Lusch & Griffith, 2002:72).

2.6.3 Niche Market

As mass markets are divided into smaller market segments, market segments in turn can be further divided into even smaller and more defined segments. These segments can be referred to as 'niches', since each niche includes consumers with extensively more similar characteristics than market segments (Thompson, 2000).

According to Leduc (2000), a niche market is a group of consumers with similar interests and needs, a strong desire for the product offering, and is easy to reach.

Niches are extremely narrowly defined and are noticeably smaller than market segments (Thompson, 2000). A niche should be large enough to generate the required amount of business, but should also be small enough to minimise competition (Leduc, 2000). By focusing on a niche, a differential advantage can be obtained which competitors would not easily be able to match (Thompson, 2000).

2.6.4 Individual Market

Individuals form the most important part of a business and all the more in market segmentation (Newman & Cullen, 2002:121). As mentioned, each individual in a market can be seen as a unique market segment (McDonald, 2000:81).

Individual marketing is, however, a more general approach in the industrial sector where individual businesses constitute market segments. Some types of industrial products can be sold on a one-to-one basis to individual customers that have unique production requirements that differ substantially from the

standard requirements. Consequently, a business might need to design an entire marketing program for each industrial customer (Thompson, 2000).

2.7 BASES FOR MARKET SEGMENTATION

The consumer market is extremely diverse and complex, and even after the unwanted segments are eliminated, the business will be left with a large market to segment (Nickels & Wood, 1997:226). Table 2-1 lists the various segmentation bases that can be used to segment the consumer market on.

In some situations, only one variable may be enough to segment a market on, but marketers most frequently make use of a combination of approaches to ensure accurate homogeneous segments (Belch & Belch, 2001:45). There is no specific procedure to determine these bases, but there are certain criteria and characteristics a business can keep in mind (Lamb *et al.*, 2000:226).

2.7.1 Geographic Segmentation

Geographic segmentation is one of the oldest forms of market segmentation. During the 1970s, marketers realised that geographic location showed a relationship with the numerous differences in consumer behaviour (Bagozzi *et al.*, 1998:181). People with similar social, economic and lifestyle characteristics have a tendency to stay close to one another (Baker, 2000:272).

This form of segmentation can be seen as the division of markets into different geographic sections. These sections may consist of nations, states or countries, but mainly neighbourhoods (Belch & Belch, 2001:47). Other than the regions of a world or country, markets can also be divided according to market size, market density or climate (Lamb *et al.*, 2000:215).

Geographic segmentation is one of the most popular forms of segmentation, due to its effortless nature to conduct. This form of segmentation is often also

combined with demographic segmentation to attain well-defined segments (Bagozzi *et al.*, 1998:181).

Table 2-1 Bases for market segmentation

VARIABLE	EXAMPLE
Geographic	
Country	South Africa; Zimbabwe; Kenya
Region	Free State; North-West Province; Gauteng
City, metropolitan area	Potchefstroom; Cape Town; Johannesburg
Suburb	Sandton; Centurion; Parow; Westville; Westering
Population size	Less than 20,000; 20,000 – 99,999; 100,000 – 249,999
Demographic	
Age	Under 6; 6–15; 16–20; 21–29; 30–39; 40–50; 50+
Gender	Male; Female
Marital status	Never married; Married; Separated; Divorced; Widowed
Household size	1; 2; 3; 4; 5 or over
Monthly income	Less than R2,000; R2,000 – R4,999; R5,000 – R9,999; R10,000 – R15,999; R16,000 or more
Employment status	Unemployed; Full-time job; Student; Retired
Education	None; Primary school; High school; Diploma; Degree
Religion	None; Catholic; Jewish; Moslem; Protestant
Race	Asian; Black; White; Coloured
Nationality	South African; American; Australian
Psychographic	
Lifestyles	Attitudes; Activities; Interests
Personality	Introvert; Extrovert; Compulsive; Ambitious
Motivation or need level	Orientation toward safety, family, self-esteem
Behavioural	
User status	Non-user; Ex-user; First-time user; Regular user
Buyer readiness stage	Unaware; Aware; Informed; Interested; Intending
Usage rate	Light; Moderate; Heavy
Loyalty status	Brand loyal; Producer loyal; Store loyal
Benefit sought	Economy; Performance; Service; Prestige

Source: Adapted from Belch & Belch (2001:46).

2.7.2 Demographic Segmentation

The segmentation of a market based on demographic variables such as age, gender, income and education, is referred to as demographic segmentation (Belch & Belch, 2001:47). Demographics are popular bases of segmentation, since demographic information is standard, widely available and often related to consumers' purchasing behaviour (Bagozzi *et al.*, 1998:180; Lamb *et al.*, 2000:215).

Some common bases of demographic segmentation include (Lamb *et al.*, 2000:215; Lancaster & Reynolds, 1998:30):

- age
- gender (male or female)
- income
- ethnic background
- social class
- education (often related to social class, since better educated people tend to get better jobs)
- political (a less obvious segmentation base)
- family size (has an effect on the amount or size of purchases)
- family life cycle

An intelligent marketer must be able to realise that demographics have certain limitations (Belch & Belch, 2001:47).

2.7.3 Psychographic Segmentation

Demographic variables are useful in developing segmentation strategies, but often they do not provide the complete picture (Lamb *et al.*, 2000:220). According to Lamb *et al.* (2000:220), demographics only form the framework, while psychographics add more body.

Psychographic segmentation can be referred to as the division of a market, based on factors such as personality, lifestyles, motives and geo-demographics (Nickels & Wood, 1997:229; Lamb *et al.*, 2000:220; Belch & Belch, 2001:48). According to Lancaster and Reynolds (1998:36), psychographic segmentation is based on the assumption that consumers have specific ways of living, which are reflected in the products or brands they buy.

Many marketers disagree with the usefulness of personality as a segmentation basis. Lifestyle factors, on the other hand, seem to be the most popular and effective criterion for psychographic segmentation (Belch & Belch, 2001:48; Bagozzi *et al.*, 1998:181).

The identification of consumers' lifestyles is generally based on an analysis of their activities, attitudes, interests, and opinions. This lifestyle analysis approach is generally used to compare consumers' lifestyles with their related product, brand or media usage (Belch & Belch, 2001:48). The aforementioned procedure assists marketers in understanding consumers' motivations or behaviours (Bagozzi *et al.*, 1998:181).

Psychographic segmentation provides, in general, more useful information on consumers' thoughts and feelings, than demographic or geographic segmentation (Bagozzi *et al.*, 1998:181).

2.7.4 Behavioural Segmentation

According to Bagozzi *et al.* (1998:182), the most successful market segmentation approach is one that is able to classify consumers according to their product-class, brand-related preferences and behaviour patterns. Behavioural segmentation relates to the aforementioned by segmenting a market according to usage, loyalty, or buying responses towards a certain product (Nickels & Wood, 1997:230; Belch & Belch, 2001:48).

Some general behavioural segmentation bases include product or brand usage, brand loyalty, product category usage, buyer readiness stage, benefits sought, and level of product use (heavy versus light) (Lancaster & Reynolds, 1998:35; Assael, 1992:564). Often one or more of the aforementioned bases are combined with demographic or psychographic criteria in order to develop profiles of market segments (Belch & Belch, 2001:48).

2.7.5 Other Segmentation Bases

Numerous different bases exist on which a market can be segmented. Some of the less popular bases include:

a) Benefit segmentation

Benefit segmentation refers to the process of segmenting a market according to the actual needs or wants of consumers, or the benefits consumers seek from the product offerings (Lamb *et al.*, 2000:223).

b) Response elasticity segmentation

This method of segmentation is based on the segmenting of a market according to consumers' sensitivity to the marketer's strategies. Some of these 'marketer's strategies' might include price increases, changes in advertising expenditures, or increased transaction effort (Assael, 1992:566).

c) Usage-rate segmentation

Usage-rate segmentation segments a market based on the amount of a product bought or consumed. This segmentation method allows marketers to focus marketing activities towards heavy users, or to develop several marketing mixes aimed at different segments (Lamb *et al.*, 2000:224).

d) Living Standards Measure

The Living Standards Measure (LSM) is a ten-point scale (LSM-group 1 to LSM-group 10) used to indicate the socio-economic status of an individual or group. LSM-group 1 refers to those of lowest status, whereas LSM-group 10 refers to those of highest status (SAARF, 2002a:3). This segmentation method is based on variables such as the possession of certain household durables, water and electricity availability, the use of various media types, and a range of demographics (SAARF, 2002a:56).

e) Media Groups Measure

The Media Groups Measure (MGM) is a market segmentation tool that assists businesses in selecting media that are most useful in effectively reaching their target markets. The MGM obtains customers' media consumption information, by studying the amount and combinations of the various media consumed (SAARF, 2002b).

2.8 SEGMENTATION DESCRIPTORS

As indicated in Figure 2-1, step 3 of the market segmentation process consists of selecting segmentation descriptors. After the basis on which the market should be segmented is selected, a business should find ways to further group customers according to similar wants or needs (Belch & Belch, 2001:454).

A business' aim is to obtain a segment that consists of enough consumers that are similar to each other, but that are also distinct from other segments. Marketers therefore need to identify one or more variables on which to define segments as accurately as possible (Nickels & Wood, 1997:225).

The business should therefore select segmentation descriptors on which to segment the market more narrowly. Segmentation descriptors identify the specific variables to use, some of which might include city, age, lifestyle, or usage rate (Lamb *et al.*, 2000:227).

2.9 EVALUATING SEGMENTS

After a business has defined its market and has selected segmentation variables, it needs to evaluate the selected segments. Depending on the business' market and product offering, one or more of the following criteria can be used to evaluate the segments (Nickels & Wood, 1997:234):

- **Sales and profit**

A segment that is more likely to purchase the business' product or service offerings would be more valuable than a segment with less potential for sales and profit.

- **Growth**

A segment that has the potential to grow in sales and profits would be more valuable to a business than a segment that is shrinking.

- **Retention**

Segments in which strong relationships can be built and customers can be retained for a longer period are the most desirable.

- **Marketing costs**

A business should estimate the amount it has available to spend for marketing on each segment. Some segments may be too expensive or even too difficult to reach effectively.

- **Risks**

A business should consider all the external influences on a segment that could form a risk.

2.10 SUCCESSFUL MARKET SEGMENTATION

Selecting the correct segments of a market is important to achieve adequate sales volume and profitability. To be successful and useful, market segmentation needs to comply with certain criteria, characteristics and rules (Lamb *et al.*, 2000:214).

2.10.1 Basic Criteria

Market segmentation cannot always be used in all situations. To be effective, segmentation needs to meet the following basic criteria.

- **Substantial**

The segmentation method selected, should lead to segments that are sufficiently large enough to be economically valuable and to produce the intended sales volume (Lamb *et al.*, 2000:214; Lancaster & Reynolds, 1998:29).

- **Measurable**

The identified segment must be measurable in terms of both purchasing power and size, such that the customers in that segment can be communicated with by means of a unique marketing strategy (Lancaster & Reynolds, 1998:29).

- **Accessible**

The business should be able to reach the target market with customised marketing mixes (Rix, 2004:96; Lamb *et al.*, 2000:214).

- **Sensitive**

The segmentation base should be sensitive to the planned marketing spending (Anon, 2004b).

Some additional factors that could affect a business' success include (Anon, 2004b):

- The strength of competitors.
- Substitute products.
- The rate of new product introductions by competitors.
- Ease of entry into the market.

2.10.2 Rules to Market Segmentation

According to Business Bureau (2002), there are certain rules that a business should follow in order to gain a viable market segment.

- Be clear and specific in the identified segment.
- Do not guess a segment. The selected segment must be a result of facts.
- Segment only those customers relevant to the business' aspirations.
- Do not 'over segment'. Aim for the largest and most relevant segment.
- Be able to reach the selected segment realistically.
- Ensure that a definite profit can be obtained from the selected segment.
- Try and reach the largest segment first and place the others secondary.

2.10.3 Characteristics of Market Segmentation

Belch & Belch (2001:45) noted that using one or more of a multitude of segmentation alternatives could segment markets. Suitable segmentation bases, however, are those that differentiate customers according to dimensions that are meaningful for further marketing programme development.

Segments derived from any segmentation process, will be more useful when the following characteristics are evident (Bagozzi *et al.*, 1998:188):

- Market segmentation is reliable, objective and logical.

- Appropriate segmentation bases are selected carefully.
- Segments are internally homogeneous and distinct from one another.
- Segments are described effectively in relation to their characteristics, sales and potential profits.
- Segments are large enough to be served effectively.
- Differences of segments are real and actionable in order to ensure that customised marketing mixes are used.
- Businesses are aware of the dynamic nature of markets.

2.10.4 Advantages of Market Segmentation

There are several reasons why a diverse market should be segmented into smaller segments. Some of these reasons include:

- **Matching customer needs**
 Since customer needs and wants differ, it is rational to create separate offerings for each different segment. This will therefore provide customers with a better product offering (Brink, 1998:68).
- **Increased profits and growth**
 Customers' disposable income varies, which evidently influences their sensitivity towards price. With market segmentation, businesses can raise standard prices, which will consequently increase profits and lead to increased growth (Anon, 2004a).
- **Retain more customers**
 Since customers' circumstances change over time, a business can retain more customers by adapting marketing activities to their changing life stages (Rix, 2004:94; Anon, 2004b).

- **Build long-term customer relationships**
Enduring customer relationships can be developed if a business is willing to devote its resources to do a better job than competitors in satisfying the needs of customers (Nickels & Wood, 1997:222).
- **Efficient and easier marketing communications**
A business can ensure that the unprofitable or inappropriate segments are eliminated, to ensure that no time or money is wasted. With a market segmentation strategy, a business can better allocate its resources to satisfy its customers. This strategy also simplifies the marketing process, since segments have many homogeneous characteristics (Brink, 1998:68; Lancaster & Reynolds, 1998:39).
- **Increased response to changing consumer market**
Consumers are dynamic in nature; their needs, wants and behaviours can change from day to day. Market segmentation narrows down the mass market, which makes it easier to attend to the changes that might occur in consumers' needs, wants or behaviours (Nickels & Wood, 1997:222).
- **Designing marketing mixes**
Segmentation provides marketers with information that can assist them in designing specific marketing mixes that match the characteristics of one or more of the selected segments (Lamb *et al.*, 2000:214).

2.10.5 Disadvantages of Market Segmentation

Market segmentation may have many benefits to a business, but this strategy also has some drawbacks. Brink (1998:68) identified the following to be some of the major disadvantages of a market segmentation approach:

- Segmentation is more expensive, since the business needs to develop different product offerings and marketing mixes for each segment.

- Since only some of the segments are selected, market coverage might be limited.
- One business can take away the market share from another business of the same enterprise if too high a degree of differentiation of the basic product occurs. This is usually referred to as 'cannibalism'.

2.11 TARGET MARKET SELECTION

Lamb *et al.* (2000:227) identifies a target market as *a group of consumers or businesses with similar characteristics, for which a marketing mix is designed, implemented, and maintained, in order to meet the needs of that group.*

The market segmentation process is complete once the business has identified the segments it wants to address. The marketing process continues, since the business now needs to make decisions regarding target marketing and positioning (Nickels & Wood, 1997:236).

Thus, the business needs to evaluate the opportunities presented by the various segments and then select one or more of these segments as a target market (Belch & Belch, 2001:42).

2.11.1 Evaluating Market Segments

To effectively evaluate the various market segments, the business should consider the following factors:

- **Segment size and growth**
The business should collect and analyse data on the different segments' sales, growth rates, and expected profitability. The segments will be attractive to the business if they are potentially profitable, of considerable size (depending on the size of the business) and have growth characteristics (Kotler & Armstrong, 2004:251).

- **Segment structural attractiveness**

The business furthermore needs to examine major structural factors that might affect long-run segment attractiveness. A segment that contains strong and aggressive competitors (UTD, 2004), many substitute products, or has strong bargaining power will be less attractive to the business. Powerful suppliers, who can control prices or reduce the quality or quantity of ordered products or services, will also reduce the segment's attractiveness (Kotler & Armstrong, 2004:251).

- **Company objectives and resources**

The selected segment will only be attractive if it improves the business' long-run objectives, and complies with the available resources (Brink, 1998:77). The business should consider whether it possesses the skills and resources to compete successfully in the selected segment, and should only enter segments in which it can offer superior value and gain a competitive advantage (Kotler & Armstrong, 2004:251).

2.11.2 Target Market Strategies

After evaluating the different segments, the business must decide which and how many segments it will target. Decisions regarding target marketing will determine the amount of segments to target, as well as the plans for the marketing mix to effectively reach these segments (Nickels & Wood, 1997:236). A business can target its selected market segments according to three main market coverage strategies.

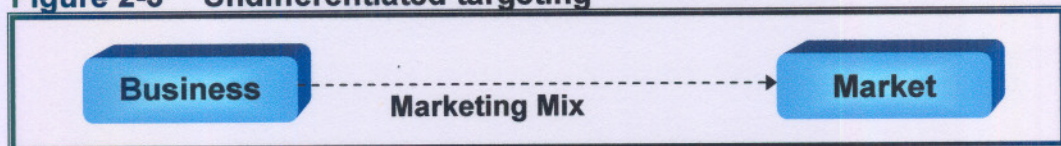
- a) **Undifferentiated targeting**

With an undifferentiated targeting strategy, a business ignores the differences between market segments, and rather approaches the market as a whole with only one marketing mix (Belch & Belch, 2001:50). A business therefore assumes that individual consumers have identical needs

and wants that can be met with one general marketing mix (Lamb *et al.*, 2000:227).

This strategy is designed to appeal to the largest amount of consumers (mass market), since it focuses on similar consumer needs rather than on those needs that are different (Monash University, 2004). Figure 2-3 illustrates an undifferentiated targeting approach.

Figure 2-3 Undifferentiated targeting

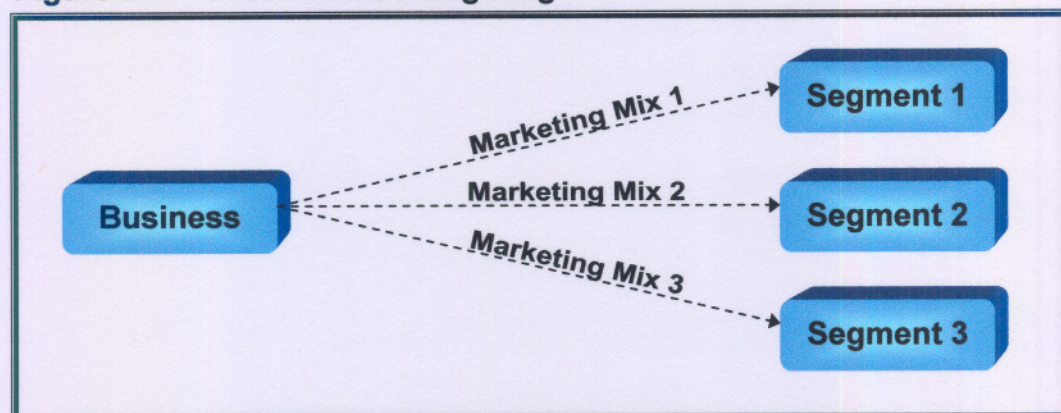


Source: Gilligan & Wilson (2003:400).

b) Differentiated targeting

As Figure 2-4 indicates, a differentiated targeting strategy involves the formulation of separate and distinct marketing mixes for each of the selected segments (Belch & Belch, 2001:51). The product, price, distribution and promotion are therefore altered as required for each distinct segment (Nickels & Wood, 1997:237).

Figure 2-4 Differentiated targeting



Source: Gilligan & Wilson (2003:400).

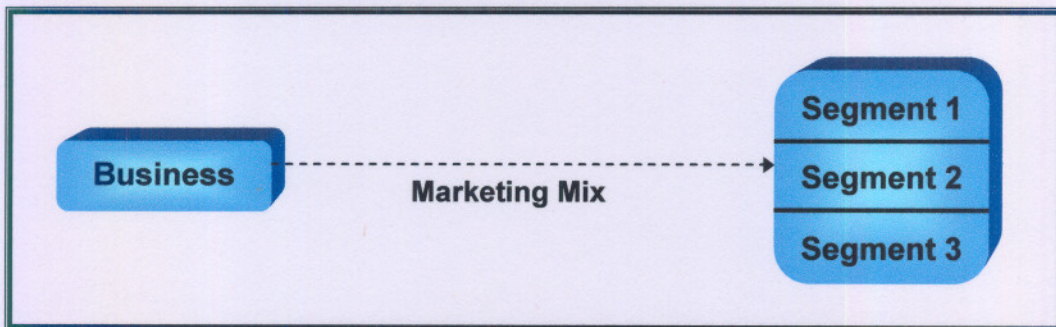
This targeting strategy has become increasingly popular, since it often creates higher sales levels than undifferentiated targeting. However, as the marketing mix needs to be customised along with each segment's needs and wants, the overall costs will be higher (Monash University, 2004).

c) Concentrated targeting

A business using a concentrated targeting strategy, concentrates on a large share of one or more segments (Belch & Belch, 2001:51). This strategy can be useful to a business with limited resources (Nickels & Wood, 1997:237).

Because the business only concentrates on one segment, it can focus on understanding the segment's needs, wants and behaviours to be able to develop and maintain a specialised marketing mix (Lamb *et al.*, 2000:229). Figure 2-5 illustrates a concentrated targeting strategy approach.

Figure 2-5 Concentrated targeting



Source: Gilligan & Wilson (2003:400).

2.12 POSITIONING

After the target market strategy is selected, a business needs to decide how to position its product or service. This will be important, since the marketing decisions made will affect the image of the business' product offering (Fill, 1999:212).

According to Brink (1998:78), positioning provides a focal point in the development of a marketing strategy. However, positioning is not about the product, but rather about what the consumer thinks about it. Furthermore it is not the physical aspect of the product that is important for positioning, but the way the product is perceived that is important (Fill, 1999:511).

Market positioning can be defined as *the observed fitting of the product or service offered to one or more of the segments of the broad market, in such a way as to significantly distinguish it from competition* (Belch & Belch, 2001:52).

Simply, positioning is the way the target market perceives the business compared with relevant competitors. It is therefore essential for the business to understand its product offering from the consumers' point of view (Determan, 1999).

Assael (1992:568) emphasises that market segmentation and product-positioning strategies should be developed simultaneously. Market segments should be branded by their related needs, and products should be positioned to accordingly meet these needs. A product positioning strategy should also be developed for each selected segment. This is required to ensure that a business' products or services obtain a pertinent place in the chosen target markets, so as to oppose competition in the marketplace (Lancaster & Reynolds, 1998:40).

2.12.1 Positioning Strategies

A business can distinguish its products or services from those of competitors based on a set of meaningful differences. The aforementioned process is more commonly known as differentiation (Cosenza, 2004).

Businesses can make use of one or more of the following types of differentiation or positioning strategies.

- **Product differentiation**

This strategy entails the positioning of the product according to its characteristics. The business can set its product apart from competitors based on attributes, features or benefits that the product has compared to competition (Fill, 1999:515).

- **Price-quality differentiation**

A business can obtain a measure of value-for-money by weighing quality up against cost. Usually a high price indicates high quality, just as a low price often mislead consumers into thinking a product to be of low quality. This strategy is therefore a popular product evaluation criterion, mainly because price itself can be a powerful communicator of quality (Fill, 1999:515; Brink, 1998:79).

- **Use or application differentiation**

Another way to position is by informing consumers when or how a product can be used or applied. By means of this strategy, a position can be created within the minds of the consumers (Fill, 1999:517; Determan, 1999).

- **Product-class differentiation**

This strategy entails the positioning of products according to various product classes. Product-class positioning is popular in situations where the segments are essentially uninteresting, or when competitors occupy other positions (Fill, 1999: 517; Brink, 1998:80).

- **Product-user differentiation**

Another positioning approach is to associate the product with a certain class or type of user. Thus, positioning the product in such a way, that

the targeted user can be clearly identified (Brink, 1998:80; Determan, 1999).

- **Cultural symbols differentiation**

A business can make use of deeply entrenched cultural symbols to differentiate its product from that of competitors. Symbols including cultural heritage and tradition, heraldic devices or visual cues can be implemented to communicate quality, experience and knowledge (Fill, 1999:518).

2.12.2 Characteristics of Positioning Differences

The differences on which a business positions its products or services must have the following characteristics (Determan, 1999; Cosenza, 2004).

- **Important.** Seeing that the difference will deliver a great benefit to customers.
- **Distinctive.** Competitors should not offer the difference, or the business should be able to offer the difference in a more unique way.
- **Superior.** The difference offered should be superior in its class. The customer should not be able to obtain the same benefit elsewhere.
- **Communicable.** The difference must be easy to communicate or be explained to potential customers.
- **Pre-emptive.** Competitors should not be able to simply copy the business' difference.
- **Affordable.** Customers should be able to afford to pay the difference being offered.

- **Profitable.** The business should be able to introduce the difference to be offered profitably.

After selecting the segment(s) to target and determining the positioning strategies to be used, the business can proceed to the final step in the market segmentation process (refer to Figure 2-1): the designing, implementing, and maintaining of a marketing mix (Lamb *et al.*, 2000:227).

2.13 MARKETING MIX

To be able to develop an effective marketing strategy, an effective marketing mix should be narrowed down (Perreault & McCarthy, 1999:596). The various elements of the marketing mix are needed for a business to achieve its marketing objectives and maintain a differential advantage in the market (Webber, 2001).

2.13.1 Marketing Mix Clarification

The marketing mix includes the combination of the key demand-influencing variables that are available to the business. The customer responds not only to the product when making a purchase, but also to the series of variables that composes the product offering (McCartan-Quinn, Durkin & Stewart, 2004).

The business needs to determine the needs and wants of consumers, develop a product or service that satisfy these needs, offer the product at a certain price, make the product available at a specific place, and develop an advertising or promotion programme to create awareness and interest in the product offering. The classic description of the aforementioned process is the 'four Ps of marketing' – product, price, place and promotion – which comprise the marketing mix (Belch & Belch, 2001:10).

However, this simple formula of the marketing mix was designed when businesses sold standardised products, and changes in the market were relatively slow. These days, however, are characterised by change (Gilligan & Wilson, 2003:7). The marketplace is changing continuously by means of improved technology, changing consumer needs, new markets, new competitors and new types of media (Nickels & Wood, 1997:20).

These changes entail that a more comprehensive method of marketing management needs to be developed, that builds on the 'four Ps'-model (Nickels & Wood, 1997:20). Gilligan & Wilson (2003:7) therefore emphasised an expanded marketing mix, with three additional elements, namely people, physical evidence and process management.

2.13.2 Marketing Mix Elements

Although Gilligan & Wilson (2003:7) added three additional elements to the traditional marketing mix; it is important to understand that there are many other elements that can be added. The marketing mix can consist of numerous other elements, due to continuous changes in the marketplace (Webber, 2001). However, for the purpose of this study, only the four well-known elements – 4 Ps – will be discussed. Figure 2-6 provides an illustration of the marketing mix elements.

a) Product

The product forms the heart of the marketing mix. The business is unable to design a distribution strategy, decide on a promotion campaign, or set a price without a product. Thus, meaning that without a product, a marketing mix will not exist (Lamb *et al.*, 2000:44).

The product offering not only includes the physical component, but also the package, warranty, after-sale service, brand name and value of the product

(Rix, 2004:26). Products can furthermore be physical goods, services or ideas, and should offer value to consumers (Lamb *et al.*, 2000:44).

Figure 2-6 The marketing mix



Source: Adapted from Perreault & McCarthy (1999:600).

b) Price

Price is what a customer must give up in exchange for the product or service being purchased, which is usually determined according to monetary value. A business should also determine the total cost of the product from the customer's point of view (Webber, 2001).

The business can raise or lower prices freely, and therefore price is often seen as the most flexible marketing-mix element (Lamb *et al.*, 2000:44). Price also includes the selection of the right base-price level, the setting of special prices, and decisions regarding discounts, allowances, and whether and how to charge delivery costs (Rix, 2004:26).

c) Distribution (Place)

Distribution is concerned with providing products to consumers when and where they want them. Distribution also includes all business activities

concerned with the selection of intermediaries, physical handling, storing and transporting of raw materials or finished products (Rix, 2004:26).

The primary goal of distribution is therefore to ensure that products arrive – at the right time – at their destination in a usable condition (Lamb *et al.*, 2000:44).

d) Promotion

Promotion includes personal selling, advertising, sales promotion, and public relations (Webber, 2001). The role of promotion in the marketing mix is to create relations with target markets by informing, educating, persuading, and reminding them of the benefits of the business or a product (Rix, 2004:26).

A good promotion strategy can increase sales considerably, but it does not necessarily guarantee success (Lamb *et al.*, 2000:44). A business can spend large amounts on promotion, this will, however, mean nothing if the business' product is of poor quality, priced improperly, or lacks effective distribution channels. It is thus clear that the marketing mix elements are significantly interdependent and need to be combined to create a successful marketing strategy (Belch & Belch, 2001:10).

2.13.3 Marketing Mix Characteristics

McCartan-Quinn *et al.* (2004) identified a number of characteristics that an effective marketing mix can contain.

- A marketing mix increases the business' understanding of its customers, which can improve marketing management in general.
- A competitive advantage can be obtained from decisions regarding the four elements.

- A successful combination of the four elements will create a reliable subject.
- The marketing mix simplifies the reality of marketing management.
- It provides a realistic framework for making decisions regarding marketing.

2.13.4 Marketing Mix Gaps

It would seem that if a business completely understands the needs, wants and behaviours of its target market, the designing of a marketing mix should be easy. However, there are three gaps in conflict with the aforementioned argument (Perreault & McCarthy, 1999:597):

- The business often has limited information on the needs, wants and behaviours of its target market. It is sometimes also complicated to obtain this information.
- Competitors in the market are also trying to satisfy these or similar needs of consumers, which may force a business to change its marketing mix.
- Other dimensions in the marketing environment may change radically, which might lead to even more changes in the marketing mix.

2.14 SUMMARY

From this chapter, it is apparent that market segmentation is an important requirement for successful marketing. It can be used to improve the business' marketing performance by accurately defining the business' marketing objectives and by identifying the wants, needs and behaviours of customers.

The entire chapter summarised the market segmentation process, which consists of six distinctive steps that were discussed in detail. These steps include the selection of the market to be segmented; selecting the basis on which to segment the market; selecting the segmentation descriptors; profiling

and evaluating the segments; selecting the market segment(s) to be targeted and finally the designing, implementing and maintaining of a marketing mix for the selected target markets.

To be able to select a market, the types of markets, as well as the basic characteristics that a market has to comply with must be taken into consideration. The different market segmentation approaches that can be followed were discussed, and some of the most renowned bases on which consumer markets can be segmented, were examined.

To segment the market more narrowly, the various segmentation descriptors, and some of the criteria that can be used to evaluate segments were discussed. To entirely understand the use and successful application of market segmentation, the overall criteria, rules, characteristics, advantages, and disadvantages of segmentation were studied. The three strategies on which selected segments can be targeted, and the various strategies a business can use to position itself and their required characteristics were analysed. Finally, the basic elements of the market mix – the ‘four P’s’ – and some of the characteristics of an effective marketing mix were identified. The gaps that influence the effortless design of a marketing mix were recognised.

In this chapter the basis of market segmentation was discussed. In the next chapter, two different types of market segmentation tools will be discussed, namely the Living Standards Measure (LSM) tool and the Media Groups Measure Tool (MGM). These two tools aid in the market segmentation process.

CHAPTER 3

LIVING STANDARDS MEASURE AND MEDIA GROUPS MEASURE

3.1 INTRODUCTION

When observing a market, it is important to understand that although people are diverse in nature, they do have certain commonalities (Rix, 2004:93). A market segmentation tool should be able to develop an index that will differentiate between people with different behaviour patterns and group together those people with similar behaviour (Haupt, Smit & Ncube, 2002).

South African businesses are increasingly making use of the LSM as a market segmentation tool (SAARF, 2001a). Its popularity is increasing rapidly, since the LSM is globally being recognised as one of the most sophisticated segmentation models (Wortley & Maserame, 2002). Its main characteristic is that neither race – which is a relatively sensitive point for the South African community – nor income is used as segmentation variables (Haupt, 2001a).

With the LSM, the living standards of people are used as segmentation descriptors. This seems to be understandable, since if a person is used to high living standards, it is not likely that he / she will purchase cheap, low-quality products. The same principle also applies to people with low living standards. They will rather purchase inexpensive products, which are usually of lower quality than expensive ones (SAARF, 2001b).

An explanation of the SAARF LSM as a market segmentation tool, how it was developed and how it works, will be provided. The purpose of the Media Groups Measure (MGM) tool in correlation with the LSM will also be analysed, specifically from retailers' point of view.

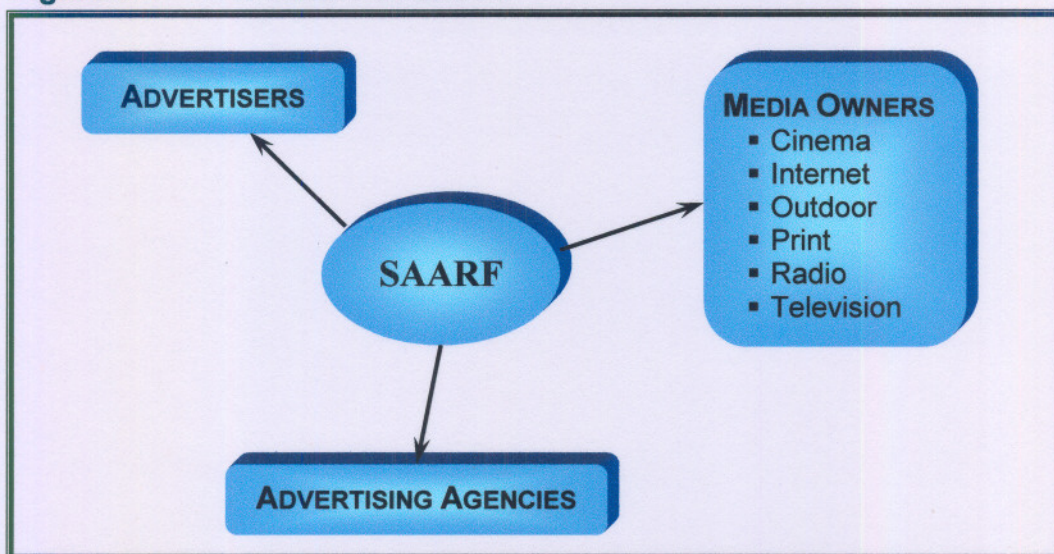
3.2 SOUTH AFRICAN ADVERTISING RESEARCH FOUNDATION (SAARF)

The South African Advertising Research Foundation (SAARF) is an independent, non-profit organisation, and the developer of the Living Standards Measure (LSM) market-segmentation tool (SAARF, 2004).

This organisation was formed to provide detailed information about the population's media and product consumption patterns. The primary objective of this research was to effectively assist advertisers and advertising agencies in making decisions regarding media selection for their advertising campaigns (SAARF, 2001b).

It was realised that, in order to provide unbiased research data that would be accepted entirely, SAARF needs to be managed by a joint industry body. This body would then be able to supervise fieldwork and report production to ensure neutral research results (SAARF, 2001b). The aforementioned body is compiled by the advertising, marketing and media industries in South Africa (SAARF, 2003). Figure 3-1 illustrates this tripartite nature of SAARF.

Figure 3-1 The nature of SAARF



Source: Haupt *et al.* (2002).

The joint body – advertisers, advertising agencies and media owners – finance and support SAARF in conducting research. SAARF, on the other hand, was established to meet a single, clearly defined goal – to provide a common research currency to its three stakeholder industries, which can aid them in buying and selling advertising time and space (Haupt *et al.*, 2002).

SAARF furthermore developed a number of research products to aid in the development of a 'common currency' for the joint body (Haupt, 2002).

- 1) All Media and Products Survey (SAARF AMPS)
- 2) Radio Audience Measurement Survey (SAARF RAMS)
- 3) Television Audience Measurement Survey (SAARF TAMS)
- 4) SAARF Universal Living Standards Measure (SU-LSM)
- 5) SAARF Branded Data
- 6) Media Groups Measure (SAARF MGM)
- 7) SAARF Development Index

These research products assist in the provision of a thorough analysis of the demographic profiles of South African consumers (aged 16 years or older), information about their media habits, and information on their consumption patterns (Haupt, 2002).

3.3 THE NATURE OF THE LSM

Traditional studies conducted on South Africans, mainly used segmentation descriptors such as geographic location, population group, education or income. The problem, however, with single variable segmentation methods such as these are that they generally do not distinguish the diverse market's living standards sufficiently (SAARF, 2004). This led to the emergence of South Africa's first multivariate market segmentation index – the LSM (Haupt, 2001a).

3.3.1 LSM Defined

The LSM-index is based on a *group* of variables that segment people according to their living standards, combined with demographic characteristics, into relatively homogeneous groups. Criteria such as degree of urbanisation, possession of major assets and access to services are some of the variables used in the LSM (Haupt, 2001a).

Essentially, LSM can be defined as *a scale that indicates the socio-economic status of an individual or a group* (SAARF, 2004).

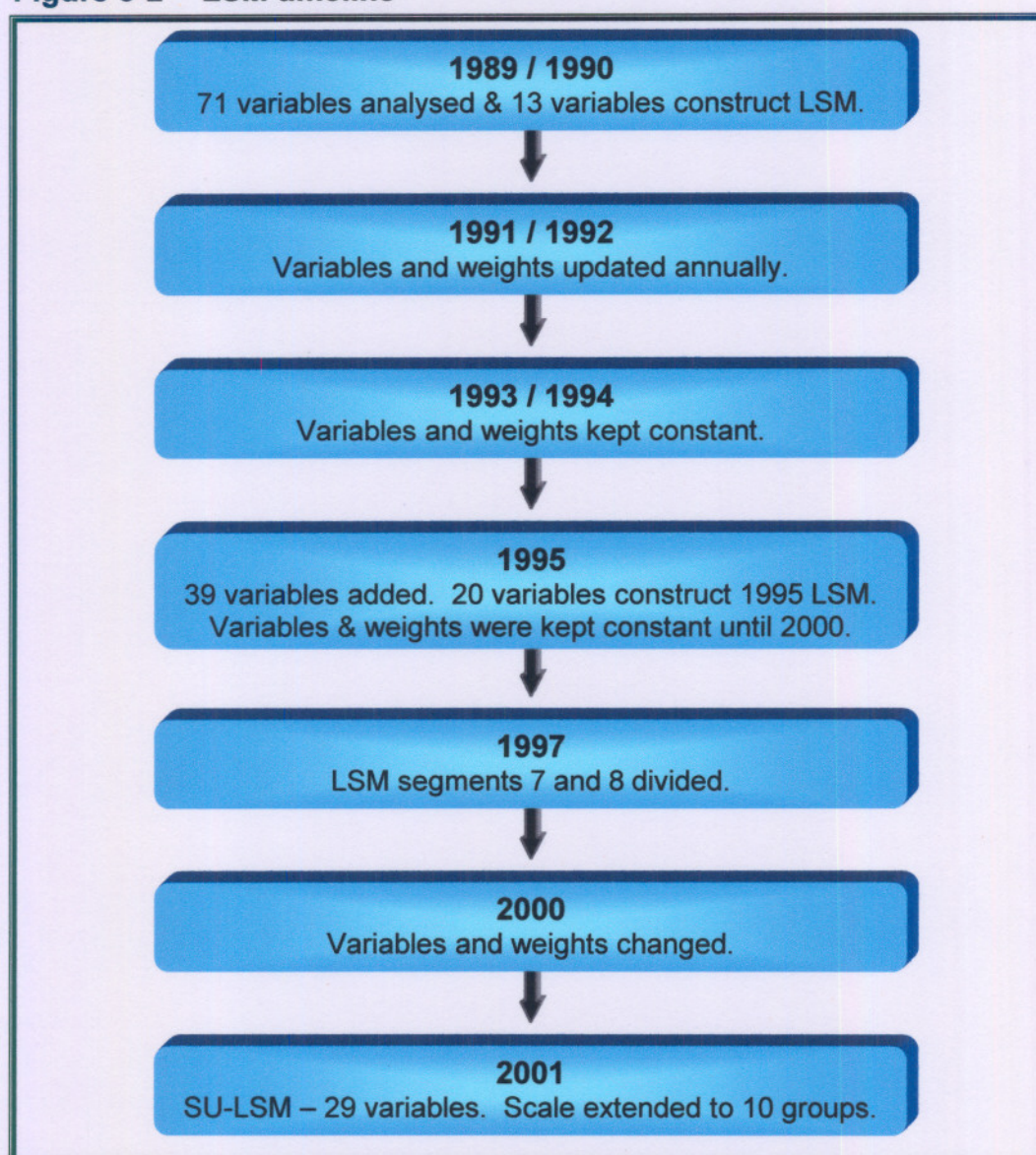
3.3.2 History and Development of the LSM

In designing the first LSM, SAARF aimed to combine a number of variables that would be stronger discriminators than any single variable. SAARF aimed to create an index that could be used to segment South Africa's diverse population (SAARF, 2001a).

The process of designing the LSM index started out by assigning a score to each respondent based on a wide range of variables. These variables, which had been selected on judgement, included the ownership of a range of durable household articles, access to water and electricity supplies, and a number of demographics such as education and population group. Each respondent's score was calculated according to an index, which in turn was divided into a number of groups based on the distribution of the total population (SAARF, 2004).

As a result, the South African population could be divided into eight distinct groups, from LSM-group one (lowest living standards) to LSM-group eight (highest living standards) (HSRC, 2002:165). Figure 3-2 provides a concise illustration of how the LSM-index developed over the years.

Figure 3-2 LSM timeline



Source: Adapted from SAARF (2004).

▪ **1989 / 1990**

From a list of 71 variables, thirteen were selected for their ability to discriminate consistently between respondents – see Table 3-1. In an attempt to improve this measure, income and education were forced into the index. It was, however, found that neither of these two variables contributed sufficiently to be permanently included in the index (HSRC, 2002:165).

Table 3-1 Original LSM variables

1. Polisher / Vacuum cleaner	8. Sewing machine
2. Fridge / Freezer	9. Non-supermarket shopper
3. Television set	10. No tumble dryer
4. Water / Electricity	11. No domestic worker
5. Washing machine	12. No video cassette recorder
6. No car in household	13. Rural dweller (outside PWV & Western Cape)
7. Hi-fi / Music centre	

Source: SAARF (2001a).

Since each one of these variables has a different degree of impact on the classification of the respondent, certain 'weights' were allocated to the variables. To determine the respondent's LSM-classification, the weights of the durables that he / she owns are added together (SAARF, 2004).

▪ **1991 / 1992**

During 1991 and 1992, SAARF increased the number and range of variables to improve the LSM-index (SAARF, 2004). The weights were also adjusted accordingly, since it seemed that some variables – which are significant reflectors of a person's living standards – received too little attention in relation to other less significant variables (SAARF, 2001a). Table 3-2 indicates the variables used in the 1993 LSM.

Table 3-2 1993 SAARF LSMs

1. Fridge / Freezer	8. Hi-fi / Music centre
2. Water / Electricity	9. No domestic worker
3. Polisher / Vacuum cleaner	10. Washing machine
4. Non-supermarket shopper	11. Sewing machine
5. No car in household	12. Metropolitan dweller*
6. Television set	13. Rural dweller (outside PWV & Western Cape)
7. Microwave oven*	
* <i>New. Video cassette recorder and tumble dryer no longer used</i>	

Source: SAARF (2001a).

- **1995**

In the mid-nineties, another 39 variables were added to the original list of 71 characteristics. After thorough analysis, this list of variables contributed to the invention of a new list consisting of 20 indicator variables (SAARF, 2004). The list of 20 variables was used for the first time in the 1995 survey. From 1995 to 1999, the list was verified annually to ensure its continuing validity. Table 3-3 shows the twenty variables of the 1995 survey, which were used until 1999 (HSRC, 2002:167).

Table 3-3 1995 SAARF LSMs

1. Flush toilet*	11. Dishwashing liquid*
2. Polisher / Vacuum cleaner	12. Household supermarket shopper*
3. Neither water nor electricity	13. Hot running water*
4. Fridge / Freezer	14. No credit facility*
5. No car in household	15. Television set
6. No financial services used*	16. Microwave oven
7. Non-supermarket shopper (personal)	17. Rural dweller (outside Gauteng & Western Cape)
8. No insurance policy*	18. Washing machine
9. Hi-fi / music centre	19. Hut dweller*
10. Telephone in home*	20. No domestic worker
* New. Sewing machine and metropolitan dweller no longer used.	

Source: HSRC (2002:167).

- **1997**

In 1997, SAARF refined the LSM-classification even more, by splitting up LSM-segments 7 and 8. These two segments were each divided into an upper and lower stratum – 7 low, 7 high, 8 low and 8 high. This division was required to extract more detail at the ‘top end’ of the market (SAARF, 2004).

- **2000**

The variables used for previous LSM-surveys were analysed once again to ensure validity for the 2000 LSM-survey. A number of new variables were included to aid with top-end differentiation, which resulted in the replacement of only four variables, with 16 remaining the same (HSRC, 2002:168). Table 3-4 lists the 2000 SAARF LSMs.

Table 3-4 2000 SAARF LSMs

1. Built-in kitchen sink*	11. Stove / Hotplate (electric)*
2. No car in household	12. Polisher / Vacuum cleaner
3. Flush toilet	13. No insurance policy
4. Supermarket shopper (personal)	14. Hi-fi / Music centre
5. Microwave oven	15. Video cassette recorder*
6. Credit facility including retail card	16. No domestic worker
7. Fridge / Freezer	17. Television set
8. Washing machine	18. Car / Sedan / Beach buggy / Hatchback / 2-Seater coupe*
9. No financial services used	19. Hot running water
10. Hut	20. Home telephone
* New. Dishwashing liquid, water or electricity, rural dweller and household supermarket shopper no longer used.	

Source: HSRC (2002:168).

- **2001**

During 2001 SAARF developed an improved LSM, known as the SAARF Universal LSM (SU-LSM). The SU-LSM was introduced to the SAARF panel at the end of August 2001, and its development is based on the previous LSMs' biased nature (HSRC, 2002:169). This new classification instrument consists of ten distinct segments instead of only eight, and is based exclusively on household variables (Haupt, 2001a).

Since the SU-LSM market-segmentation tool forms the focus of this study, it is necessary to clearly understand what it is and how it works.

3.4 SU-LSM CLARIFIED

According to Haupt *et al.* (2002), the SU-LSM is a target-marketing tool, which can also be used in the selection of proper media. Since the SU-LSM does not consist of any personal attributes (Haupt *et al.*, 2002), it can be used constantly on various types of markets, without having to go through the annual modifications (Wortley & Maserame, 2002).

The SU-LSM obtained its name from the fact that it is based on universally applicable variables only. This means that all respondents (16 years and older) can answer all the LSM-questions, and be indexed without biases. The SU-LSM is furthermore designed to be universally applicable to all of SAARF's products and to all future surveys (Haupt *et al.*, 2002).

3.4.1 SU-LSM Compilation

The new SU-LSM is similar to the older versions, but starts out with ten segments – from 1 (one) with the lowest living standards, to 10 (ten) with the highest living standards – instead of only eight. What were previously referred to as LSM 7 low, 7 high, 8 low and 8 high are now referred to as LSM-groups 7, 8, 9 and 10 respectively (Haupt, 2001a).

The SU-LSM can furthermore be adapted to remain up to date with societal changes. As the South African society develops, the SU-LSM has the ability to expand beyond group 10, into 11, 12 or more groups (SAARF, 2004). It is sensitive to changes like these, and will therefore reflect the South African market relatively accurate (SAARF, 2001a).

To ensure that all the members of a household belong to the same SU-LSM-group, the SU-LSM is based entirely on household variables instead of personal variables (HSRC, 2002:169).

In order to refine the scale even more, the LSM-list of variables was expanded from 20 to 29 household variables, of which 15 have been carried through from the previous (2000) LSM-index (Wortley & Maserame, 2002).

Table 3-5 relates the latest SU-LSM-index that has been developed and that will be used for the purpose of this study.

Table 3-5 SAARF Universal LSM

1. Hot running water	16. 0 or 1 radio set in household
2. Fridge / Freezer (combination)	17. Hi-fi / music centre
3. Microwave oven	18. Rural rest (excluding Western Cape & Gauteng rural)
4. Flush toilet in- / outside house	19. Built in kitchen sink
5. No domestic worker in household	20. Home security service
6. Video cassette recorder	21. Deep freezer
7. Vacuum cleaner / Floor polisher	22. Water
8. No cell phone in household	23. M-Net / DStv subscription
9. Traditional hut	24. Dishwasher
10. Washing machine	25. Electricity
11. Personal computer	26. Sewing machine
12. Electric stove	27. Gauteng
13. Television set	28. Western Cape
14. Tumble dryer	29. Motor vehicle in household
15. Home telephone	

Source: SAARF (2004).

The abovementioned variables form the basis of the questions asked in the SAARF-questionnaire. According to these variables, people can be segmented into relatively homogeneous groups, which makes targeting and marketing to a selected segment less complicated (Haupt, 2001b). These questions were also asked in the questionnaire that has been designed for the purpose of this study (see Appendix B).

3.4.2 Calculating the SU-LSM

As mentioned, each one of the SU-LSM-variables is connected to a certain weight as determined by SAARF. The weight of a variable depends on the importance of the variable in describing the respondent's living standards (SAARF, 2001a). Table 3-6 lists the 29 SU-LSM-variables and their related weights.

Some of the variables in Table 3-6 have negative weights. The following need to be kept in mind with these 'negative' variables (SAARF, 2004):

- 1) '*No domestic in household*'. A score is only assigned if the respondent does not have a domestic worker.
- 2) '*0 or 1 radio set in household*'. A score is only added if there is no or only one radio set in the respondent's household.
- 3) '*No cellphone in household*'. A score is only given if no one in the respondent's household has a cellphone.
- 4) '*Traditional hut*'. The respondent only gets a score if he / she lives in a traditional hut.
- 5) '*Rural outside Gauteng and the Western Cape*'. A score is only allocated if the respondent does not live in Gauteng or the Western Cape, or in a metropolitan area, city or town in any of the other provinces.

To allocate a respondent to one of the SU-LSM-groups, the following procedure needs to be followed (SAARF, 2004):

- Step 1: Identify the variables in Table 3-6 that apply to the respondent.
- Step 2: Apply the weights of each variable that comply with the respondent.
- Step 3: Add up the weights of the variables the respondent identified.
- Step 4: Add the constant (1,340410) to the total score to obtain the final SU-LSM-score.

Step 5: Apply the information in Table 3-7 to allocate the respondent to one of the ten SU-LSM-groups.

Table 3-6 SU-LSM-variables and weights

VARIABLE	WEIGHT
1. Hot running water	0,158200
2. Washing machine	0,138930
3. Fridge / Freezer (combination)	0,152515
4. No domestic in household	-0,222364
5. 0 or 1 radio set in household	-0,158252
6. Flush toilet in- / outside house	0,142228
7. Video cassette recorder	0,134488
8. Motor vehicle(s) in household	0,155217
9. Personal computer	0,132148
10. No cellphone in household	-0,175184
11. Electric stove	0,163219
12. Tumble dryer	0,117338
13. Home telephone	0,097140
14. Traditional hut	-0,201085
15. Vacuum cleaner / Floor polisher	0,135318
16. Television set(s)	0,133830
17. Microwave oven	0,126829
18. M-Net / DStv subscription	0,126068
19. Rural rest (excluding Western Cape & Gauteng rural)	-0,093228
20. Hi-fi / Music centre	0,105378
21. Built-in kitchen sink	0,165505
22. Home security service	0,091632
23. Deep freezer	0,093849
24. Water in home or on stand	0,127671
25. Sewing machine	0,090320
26. Dishwasher	0,119925
27. Electricity	0,128613
28. Live in Gauteng	0,056788
29. Live in Western Cape	0,079999

Source: SAARF (2004).

Table 3-7 Range for each SU-LSM-group

SU-LSM GROUP	TOTAL WEIGHT	SU-LSM GROUP	TOTAL WEIGHT
1	0,00000 to 0,72100	6	2,12701 to 2,68500
2	0,72101 to 1,05300	7	2,68501 to 3,01000
3	1,05301 to 1,35600	8	3,01001 to 3,32400
4	1,35601 to 1,72600	9	3,32401 to 3,65000
5	1,72601 to 2,12700	10	More than 3,65000

Source: SAARF (2004).

Some general-, demographic- and media usage information on the various SU-LSM-groups are provided in Appendix C.

3.4.3 SU-LSM-Scale and Society

The SU-LSM is a socio-economic descriptor, and since not all of a person's characteristics are driven by socio-economic factors, the SU-LSM differentiates better between some aspects than others (SAARF, 2004).

- **Gender** is relatively independent of the SU-LSM-scale. Each SU-LSM-group consists of approximately the same amount of male and female respondents (SAARF, 2004).
- **Household income**, on the other hand, is highly related to socio-economic standing, with SU-LSM-group 1 having the lowest household income, and SU-LSM-group 10 having the highest (SAARF, 2004). Table 3-8 demonstrates the average household income of each of the SU-LSM-groups, for 2001B (January – December 2001), 2002A (July 2001 – June 2002) and 2002B (January – December 2002). There is an increase in average household income for every SU-LSM-group (SAARF, 2003).

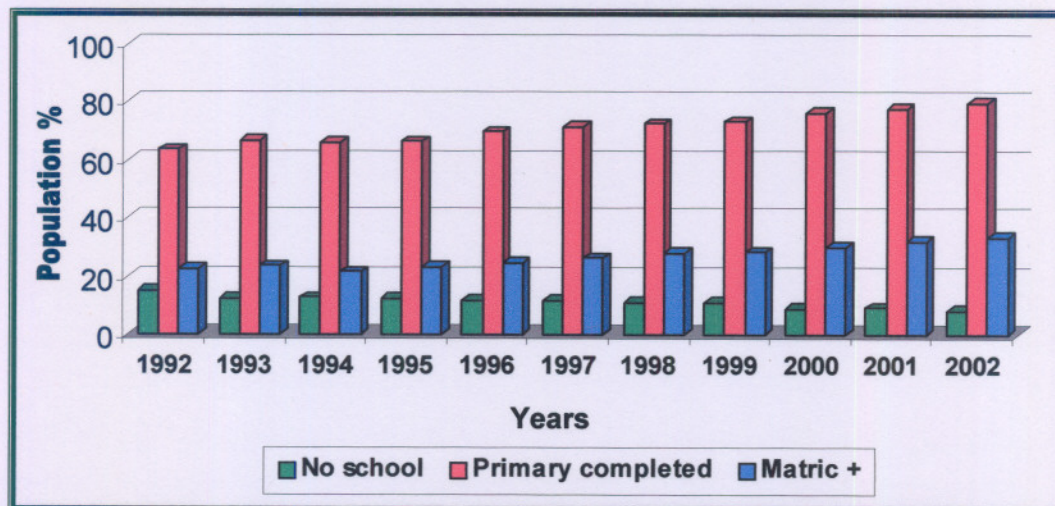
Table 3-8 Average household income by SU-LSM

	2001B	2002A	2002B
SU-LSM Group 1	R 777	R 804	R 832
SU-LSM Group 2	R 885	R 962	R 1 075
SU-LSM Group 3	R 1 107	R 1 188	R 1 318
SU-LSM Group 4	R 1 523	R 1 570	R 1 724
SU-LSM Group 5	R 2 205	R 2 230	R 2 421
SU-LSM Group 6	R 3 557	R 3 619	R 3 897
SU-LSM Group 7	R 5 509	R 5 675	R 5 859
SU-LSM Group 8	R 7 428	R 7 587	R 8 053
SU-LSM Group 9	R 9 861	R10 245	R10 732
SU-LSM Group 10	R13 788	R15 076	R15 931

Source: SAARF (2003).

- Education** is also related to socio-economic standing, with the lower SU-LSM-groups representing the less educated. Education has improved significantly over the last ten years – as seen in Figure 3-3 – but the job market is not growing fast enough to accommodate these highly skilled people. Table 3-9 indicates the employment status as for 2002 for the South African population (SAARF, 2003).

Figure 3-3 Education – 10 year trends



Source: SAARF (2003).

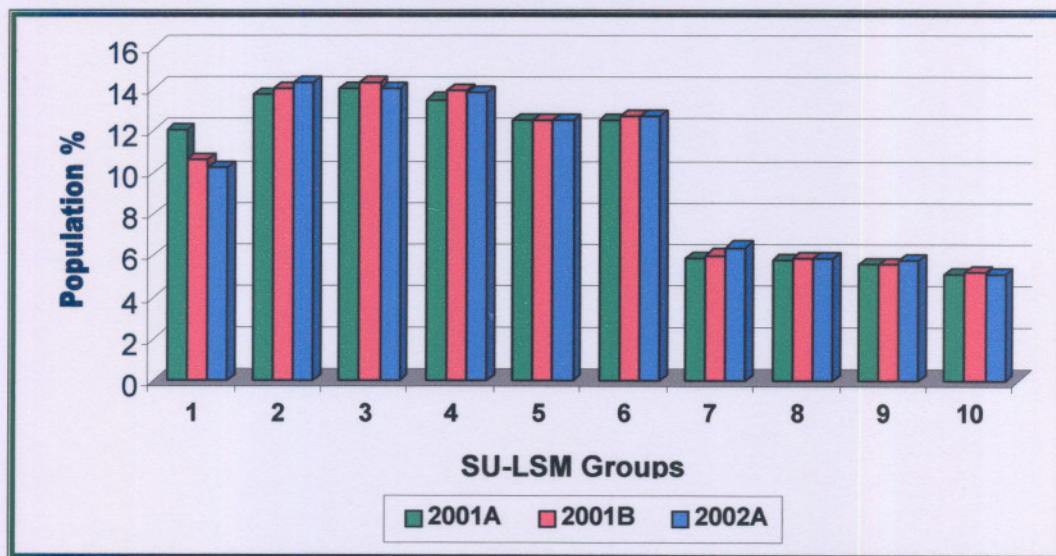
Table 3-9 Employment status (January – December 2002)

	%	'000
Work full-time	24,1	7 124
Work part-time	10,1	2 982
Not working	65,8	19 477
Classify self as “unemployed”	33,8	9 991
Self-employed	8,6	2 553

Source: Adapted from SAARF (2003).

- Population distribution** is also relatively related to socio-economic standing. SU-LSM-groups 2 to 6 account for 67% of the adult population (16 years and older). Figure 3-4 compares the percentage of the South African population for each SU-LSM-group over three years – 2001A, 2001B and 2002A (Wortley & Maserame, 2002).

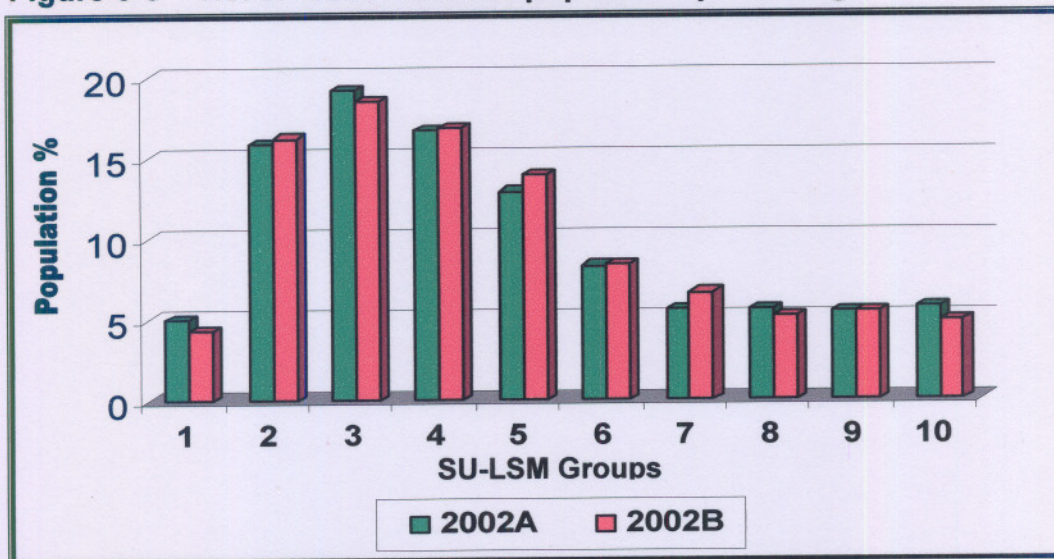
Figure 3-4 SU-LSM population distribution



Source: Wortley & Maserame (2002).

The population percentage of the North-West Province for 2002A (July 2001 – June 2002) and 2002B (January – December 2002) is analysed in Figure 3-5.

Figure 3-5 North-West Province population percentage



Source: Adapted from SAARF (2004).

3.4.4 SU-LSM and Race

According to Haupt (2001a), many people believe that LSMs are only a courteous way of referring to race. However, race has never been used as a determinant or as a variable in an LSM-index (Anon, 2002).

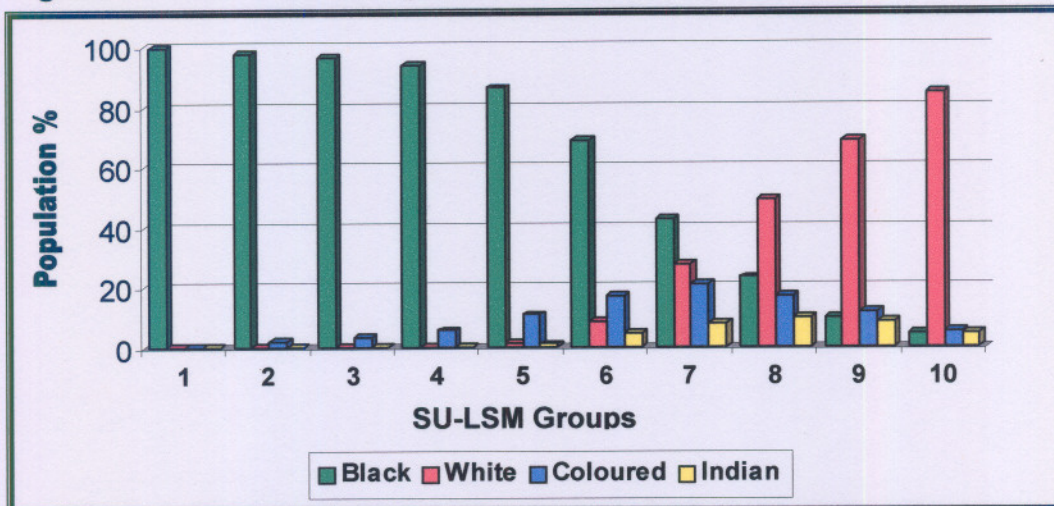
The LSMs do correlate closely with race, because it only reflects reality – for which it was created. Although race is not an LSM-variable, LSM indicates the reality of the South African society (Anon, 2002).

As can be seen in Figure 3-6, black adults dominate SU-LSM-groups 1 to 6, with 82% falling into SU-LSM-groups 1 to 5. In contrast, white adults dominate SU-LSM-groups 8 to 10, with 98% falling into SU-LSM-groups 6 to 10 (Wortley & Maserame, 2002). The higher LSM-groups are generally more multiracial than the lower ones (Anon, 2002).

The SU-LSM can therefore indicate a society's race profile, but race is not a living standard descriptor, only a demographic descriptor. The impact of race as a differentiating variable will decrease when the balance in the South African

society has been restored. The relationship between race and the SU-LSM will also decrease as societal standards increase (Haupt, 2001b).

Figure 3-6 SU-LSM race profile for 2002A



Source: Adapted from Wortley & Maserame (2002).

3.5 SAARF MEDIA GROUPS MEASURE (SAARF MGM)

The SAARF Media Groups Measure (MGM), which was launched towards the end of 2002, is another type of segmentation tool. The MGM segments in a different way than the SU-LSM. The main purpose of this tool is to optimise the selection of media in reaching specific target markets (Haupt, 2002).

In this study, the MGM-tool will be used to recommend the most appropriate types of media the participating supermarkets should use to reach their customers.

3.5.1 MGM Defined

The MGM assists businesses in selecting media that are most effective in reaching their target markets (SAARF, 2002b). Aspects such as geographic location (that restricts availability), poor education standards (that impact on

literacy) and the financial ability to afford certain media, are all limiting the reach of media (Corder, 2001). It is mostly less well-off people that are affected by these limitations, and therefore only reached by a few media (SAARF, 2004). Wealthier, urban dwellers on the contrary, tend to have more disposable income available, higher education levels and enhanced access to media (Corder, 2001).

The MGM is designed to obtain media consumption information, by examining the amount and combinations of the different media consumed (SAARF, 2002b). Readers, listeners, viewers, cinemagoers, Internet users and those exposed to outdoor media, can be identified and profiled by means of the MGM. It therefore makes it possible for businesses and their advertising agencies to select media that would be best to reach the business' target market (SAARF, 2003).

3.5.2 Analysis of MGM

The MGM-scale consists of eight groups, which are related to the level of media exposure that consumers get (SAARF, 2002b). Lower MGM-groups have less duplicated media exposure than the higher MGM-groups. The duplication of media types increase as the MGM-scale progresses to higher levels (SAARF, 2004). A summary of the characteristics of each of the MGM-groups follows.

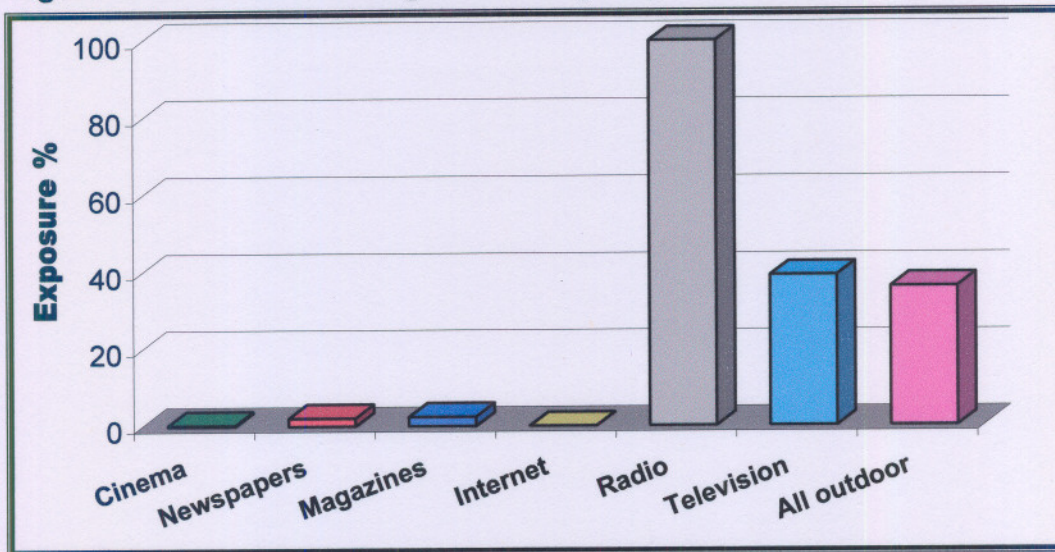
- **SAARF MGM-group 1**

Except for extensive radio exposure, this group has relatively limited exposure to other media types (SAARF, 2002b). Figure 3-7 illustrates the coverage of the various media for MGM-group 1.

- **SAARF MGM-group 2**

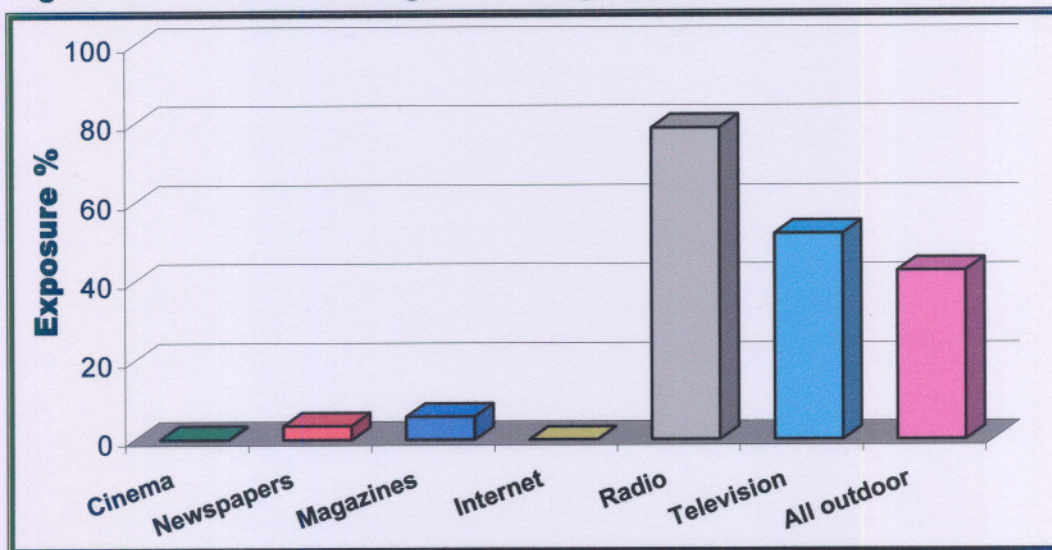
Radio exposure to this group is still high, but to a lesser extent than in MGM-group 1, due to the presence of other media types (SAARF, 2002b). Other media, such as television, outdoor media and monthly magazines have some exposure – see Figure 3-8 (SAARF, 2004).

Figure 3-7 Media coverage of MGM-group 1



Source: Adapted from SAARF (2002b).

Figure 3-8 Media coverage of MGM-group 2

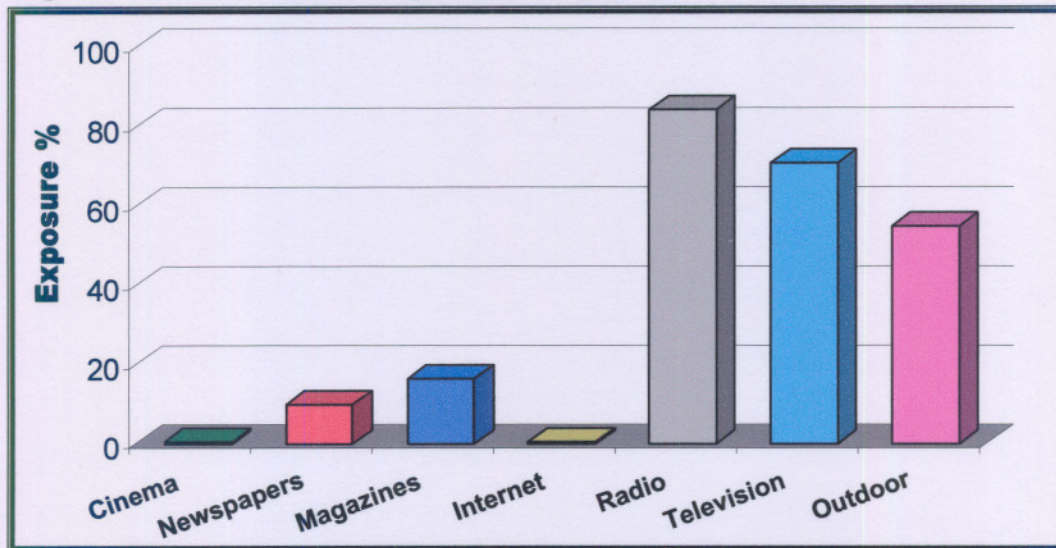


Source: Adapted from SAARF (2002b).

▪ **SAARF MGM-group 3**

As Figure 3-9 indicates, there is an increase in readership for newspapers and monthly magazines. Exposure to radio remains high, and television reach increases persistently. Exposure to train advertising (as part of outdoor media) is becoming relatively limited (SAARF, 2004).

Figure 3-9 Media coverage of MGM-group 3

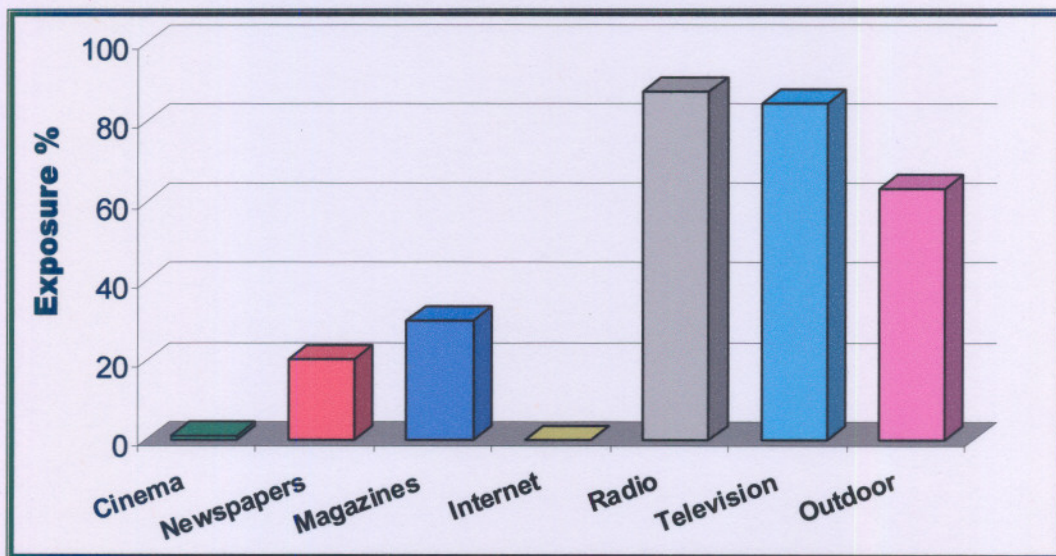


Source: Adapted from SAARF (2002b).

▪ **SAARF MGM-group 4**

An increase in exposure to weekly newspapers and monthly magazines is visible. Radio and television continue to have high exposure. Except for exposure to trains, all forms of outdoor media have a high reach (SAARF, 2002b). Figure 3-10 illustrates the media coverage of MGM-group 4.

Figure 3-10 Media coverage of MGM-group 4

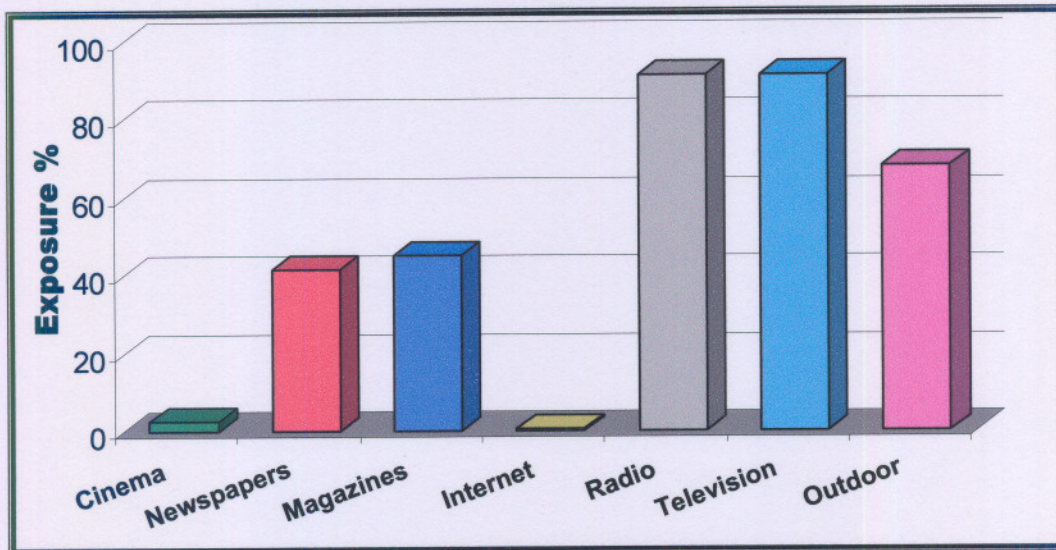


Source: Adapted from SAARF (2002b).

- **SAARF MGM-group 5**

As shown in Figure 3-11, readership of newspapers and outdoor exposure are higher. Exposure to daily newspapers is becoming apparent, with radio and television exposure maintaining relatively the same (SAARF, 2004).

Figure 3-11 Media coverage of MGM-group 5



Source: Adapted from SAARF (2002b).

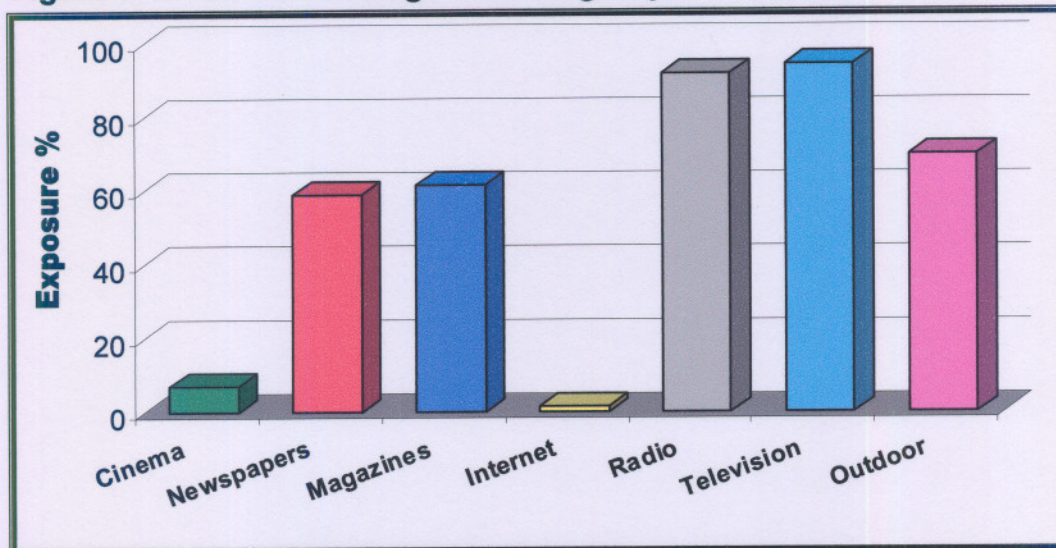
- **SAARF MGM-group 6**

Readership levels of newspapers and magazines continue to rise. Radio and television exposure remain at high levels, with outdoor media rising slightly (SAARF, 2004). See Figure 3-12 for the media coverage of MGM-group 6.

- **SAARF MGM-group 7**

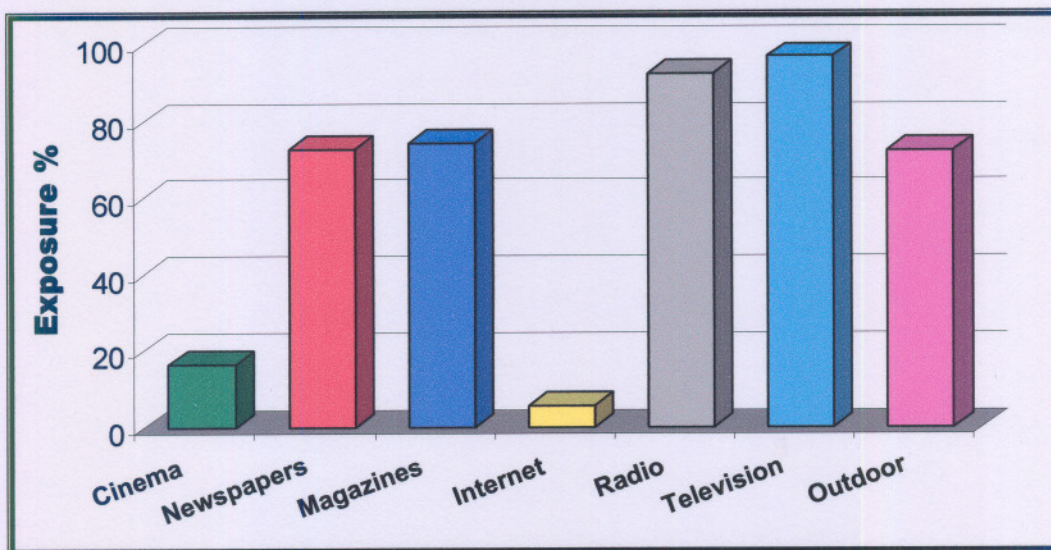
As shown in Figure 3-13, radio and television remains at a high level, with print and outdoor media increasing steadily. Cinema going and Internet usage continue to expand its coverage (SAARF, 2002b).

Figure 3-12 Media coverage of MGM-group 6



Source: Adapted from SAARF (2002b).

Figure 3-13 Media coverage of MGM-group 7

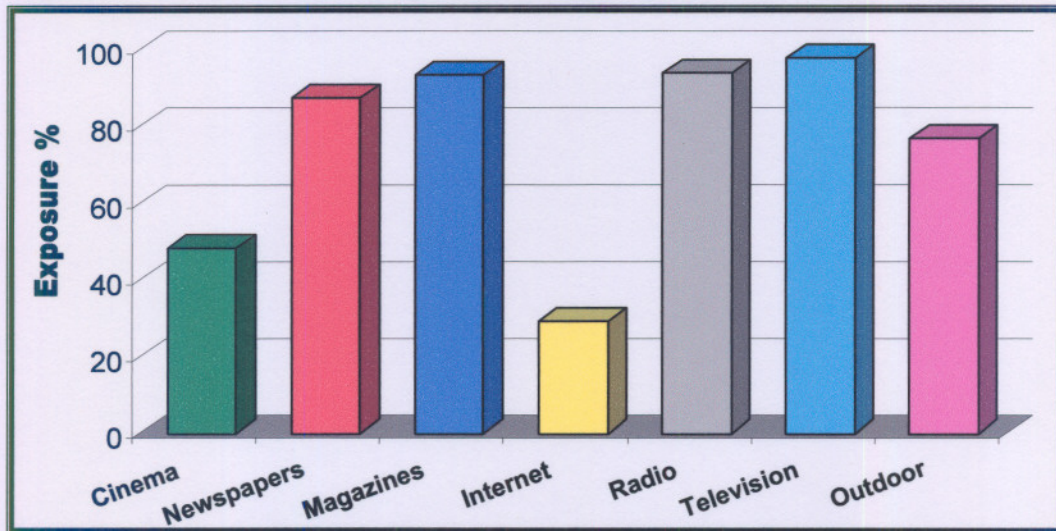


Source: Adapted from SAARF (2002b).

▪ **SAARF MGM-group 8**

As seen in Figure 3-14, exposure to print and outdoor media is constantly increasing. Reach of cinemagoers and Internet users are building up, with exposure to radio and television remaining high (SAARF, 2004).

Figure 3-14 Media coverage of MGM-group 8



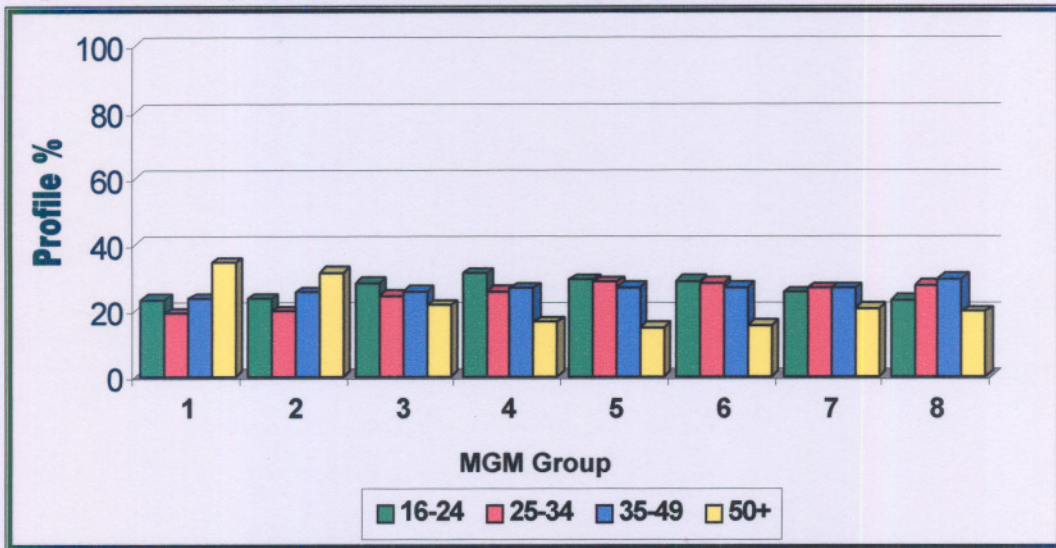
Source: Adapted from SAARF (2002b).

3.5.3 MGMs Scale and Society

The MGM is, just as the SU-LSM, a stronger differentiator in some areas than in others. The MGM has a definite relationship with demographics such as age, population group, education and income (SAARF, 2004).

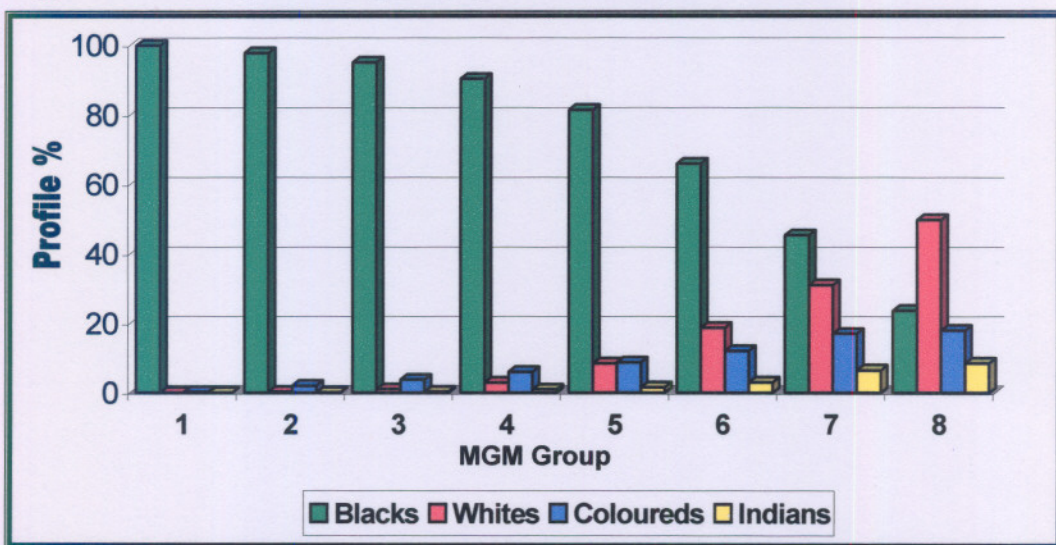
- **Age** is related to the MGM, with the youngest age group (16 to 24 years) falling into MGM-groups 3 to 5. As people get older, however, they tend to move into higher MGMs (SAARF, 2004). Figure 3-15 illustrates this relationship.
- **Population group:** As shown in Figure 3-16, Blacks dominate MGM-groups 1 to 6. The amount of Coloureds, Indians and Whites increases as the MGM-scale increases. The correlation of population group with the MGM is therefore much the same as with the SU-LSM. Most black people fall into the lower MGM-groups, with the higher MGM-groups being more multi-racial (SAARF, 2004).

Figure 3-15 Age profile of the MGM-scale



Source: SAARF (2002b).

Figure 3-16 Population group profile of the MGM-scale

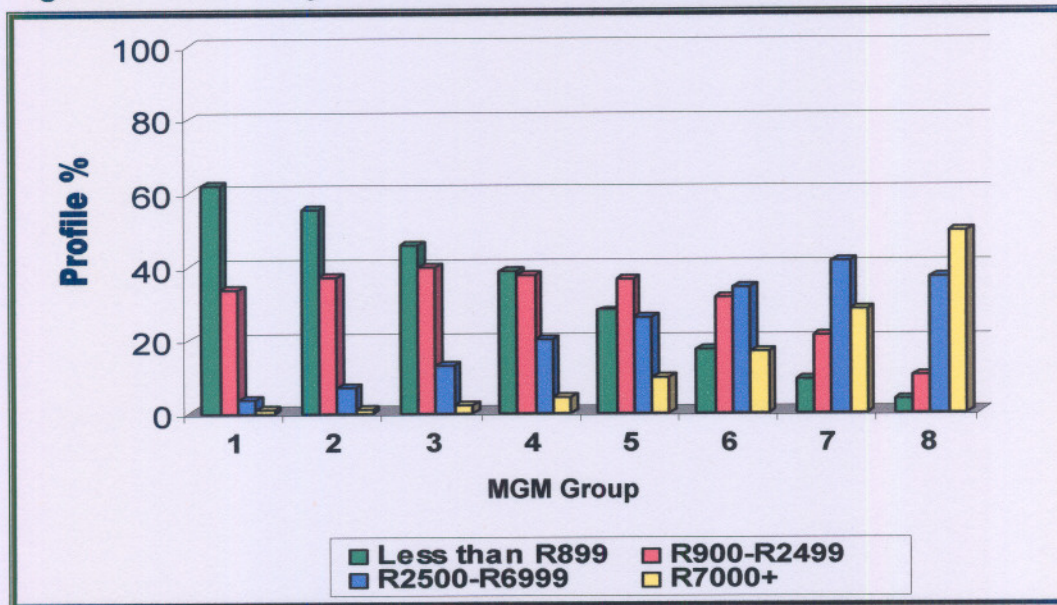


Source: SAARF (2002b).

- **Education** levels are directly related to the MGM-scale. As the MGM-scale increases, the education level of the population also steadily increases (SAARF, 2002b).
- **Monthly household income** is also strongly related to the MGM-scale (see Figure 3-17). People in higher income categories have more money

available to purchase media, and are therefore more exposed to the various media types (SAARF, 2004).

Figure 3-17 Monthly household income profile of the MGM-scale



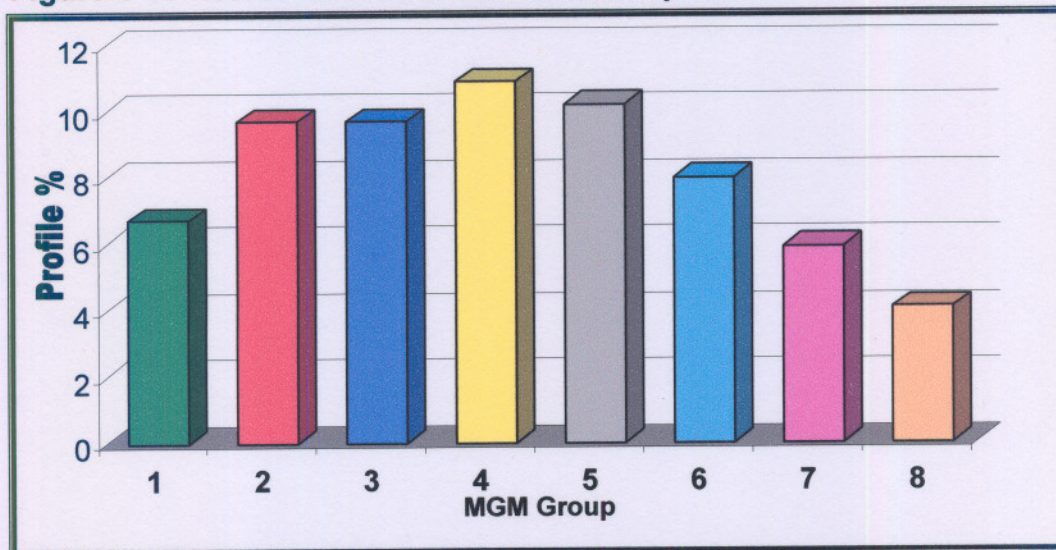
Source: SAARF (2002b).

- Province:** The Western Cape and Gauteng provinces have an overall high media exposure level, with the majority of their population falling into MGM-groups 6 to 8. Kwazulu Natal and the Eastern Cape, on the contrary, have low media exposure levels, falling into MGM-groups 1 to 4 (SAARF, 2002b). The North-West Province's exposure to media is relatively average (see Figure 3-18), with the majority of its population falling into MGM-groups 4 and 5.

3.5.4 SU-LSM versus MGM

The MGM and the SU-LSM are strongly related to one another. The SU-LSMs increase the higher the MGM-scale goes. Table 3-10 indicates the positive relationship between these two measures (SAARF, 2002b).

Figure 3-18 North-West Province media exposure



Source: SAARF (2002b).

Table 3-10 SU-LSM-profile of the MGM-scale

		MGM-GROUPS							
		1	2	3	4	5	6	7	8
SU-LSM-GROUPS	1	35	25	14	6	2	1	0	0
	2	31	30	23	16	8	3	1	0
	3	19	20	24	21	15	8	4	1
	4	10	14	20	22	20	15	8	2
	5	4	7	11	18	21	17	13	5
	6	1	3	6	11	18	24	21	15
	7	0	1	2	3	6	11	15	14
	8	0	0	0	2	5	9	15	17
	9	0	0	0	1	4	8	14	22
	10	0	0	0	0	1	4	9	24

All values are expressed as percentages

Source: Adapted from SAARF (2004).

Both the SU-LSM- and MGM-tools will be applied in this study. The SU-LSM will be used to determine the LSM-groups into which the selected stores' (Pick 'n Pay and Shoprite Checkers) customers can be classified. Accordingly, the MGM

will be used to determine the most appropriate types of media to be used to effectively reach these LSM-groups.

3.6 BACKGROUND ON SELECTED RETAILERS

To understand the functioning of the SU-LSM and MGM in practise, some background information need to be provided on the selected stores. As mentioned, the two stores selected for researching purposes are Pick 'n Pay and Shoprite Checkers in Potchefstroom. Both stores are located in the central business district of Potchefstroom, and are only three blocks apart. These are, furthermore, the only two major supermarkets in Potchefstroom.

Both stores will be analysed in terms of their target markets and marketing strategies to determine whether they are targeting the actual markets that purchase from them, and whether they are targeting these markets in the most appropriate manner.

3.6.1 Shoprite Checkers

The target market of Shoprite Checkers includes a relatively wide range on the SU-LSM-index, from LSM-group 3 to 8 (Shoprite Holdings Limited, 2003). By targeting such a large customer base (broad middle to lower market), Shoprite Checkers is therefore making use of a mass-market approach (Shoprite, 2004).

3.6.2 Pick 'n Pay

Pick 'n Pay, on the other hand, has a more concentrated marketing approach, by aiming only at LSM-groups 6 to 8. These LSM-groups include customers with medium-high living standards (Competition Tribunal, 2002).

3.6.3 SU-LSM-Groups Summarised

Certain conclusions can be made regarding the LSM-groups of each of these stores. Only those LSM-groups relevant to the participating stores – SU-LSM-groups 3 to 8 – will be discussed.

According to SAARF (2004), these LSM-groups' demographics and media consumption patterns can be summarised as follows:

a) SU-LSM-group 3 (14,1% of the adult population)

Demographics

More than 82% of this group is between the ages of 16 and 49 years old, with 62% living in rural areas (SAARF, 2004). Education levels are low, with the majority having only some high school (Anon, 2002). Average household income for this group is approximately R1 318 per month (SAARF, 2003).

Media consumption

Radio is the dominant medium for this group (92%), with the majority listening to African Language stations such as Ukhozi FM (25%), Umhlobo Wenene FM (19%), Lesedi FM (18%), Motsweding FM (16%) and METRO FM (16%) (SAARF, 2004).

Television is also a popular medium, with the majority of the viewers (93%) watching SABC 1 (SAARF, 2004).

The most popular newspapers and magazines being read by this SU-LSM group, includes the Bona (13%), Soccer Laduma (8%), Kickoff (7%), Sowetan (6%), City Press (6%), Drum (6%) and Sunday Times (4%) (SAARF, 2004).

The reach of cinema advertising is barely visible, while outdoor advertising's importance increases. Some outdoor media include notice signs on stores (79%), billboards (69%), taxis (58%), trucks (35%) and bus-borne signs with a 25% reach (SAARF, 2004).

General

Approximately 85% of this group has electricity in their homes, with 66% having water on-site (SAARF, 2004). Furthermore, this group has only minimal ownership of durables, with the exception of radio sets (82%) and stoves (47%) (Anon, 2002).

b) SU-LSM-group 4 (14,0% of the adult population)

Demographics

The majority of this group (30%) is aged 25 to 34 years, with 37% being rural dwellers and 30% living in metropolitan areas (SAARF, 2004). This group also has only some high school education, with their monthly household income averaging at R1 724 (SAARF, 2003).

Media consumption

Radio is still the most popular medium (93%), with Ukhozi FM (25%), METRO FM (22%) and Lesedi FM (22%) having the highest listenership numbers. Most of the television audience watches SABC 1 (96%) and SABC 2 (69%) (SAARF, 2004).

The highest readership numbers include newspapers and magazines such as Bona (15%), City Press (11%), Soccer Laduma (9%), Kickoff (9%), True Love (9%), Sowetan (8%) and Sunday Times (8%) (SAARF, 2004).

Cinema advertising still has little reach (2%), while outdoor advertising's reach increases in all sectors – signs on stores (84%), billboards (77%),

taxis (67%) and trucks (43%). Train advertisements (11%) have the least visible reach (SAARF, 2004).

General

Most of this group has electricity (97%), water (85%) and a flush toilet (59%) on-site (Anon, 2002). Approximately 85% of this group owns a radio, 52% a hi-fi and 78% a television. The majority of this group owns an electric hotplate or stove (79%) and a refrigerator (69%) (SAARF, 2004).

c) SU-LSM-group 5 (12,4% of the adult population)

Demographics

Most of this group (55%) is aged 16 to 34 years and lives in urban areas. Approximately 3% of this group is illiterate, with the majority (47%) having reached matric or beyond (SAARF, 2004). The average household income is at R2 421 per month (SAARF, 2003).

Media consumption

Radio exposure remains high (94%), with the most popular radio stations being METRO FM (29%), Ukhozi FM (23%) and Lesedi FM (22%) (SAARF, 2004).

All SABC stations' popularity is increasing (SABC 1, 96%; SABC 2, 72%; SABC 3, 48%), with e.tv having a 69% viewership (SAARF, 2004).

The most popular print media includes newspapers such as City Press (13%), Sunday Times (11%), Sowetan (10%) and Soccer Laduma (9%). Popular magazines include Bona (14%), True Love (11%) and Drum (10%) (SAARF, 2004).

Compared to SU-LSM 4, the reach of outdoor media continues to increase, specifically bus shelter advertising (33%). The reach of cinema advertising (3%) still has a relatively low reach (SAARF, 2004).

General

Almost everyone in this group has water (97%), electricity (99%) and a flush toilet (85%) available. The majority has a television (91%), radio (88%) or hi-fi (72%), stove (72%) and fridge (89%) in their possession (Anon, 2002).

d) SU-SLM-group 6 (12,5% of the adult population)

Demographics

Most people in this group are between the ages of 25 to 34 years (28%) and reside in urban areas. The majority (37%) has passed matric, with only 2% having completed university (SAARF, 2004). This group's household income averages R3 897 per month (SAARF, 2003).

Media consumption

METRO FM and Ukhozi FM are still the most popular radio stations, respectively having a 35% and 17% listenership. E.tv is the most popular television station with an 81% reach. M-Net is becoming more popular with a 15% reach (SAARF, 2004).

Newspapers and magazines with the highest readership numbers include Sunday Times (18%), City Press (17%), Edgars Club Magazine (14%), True Love (14%), Sowetan (13%), Bona (13%), Soccer Laduma (10%), The Citizen (3%) and The Star (3%) (SAARF, 2004).

The reach of outdoor advertising remains relatively the same, with an increase in some of the less widely seen sites – bus shelters (44%) and

trailers (39%). Cinema viewing is becoming more popular, with cinema advertising having a 7% reach of this group (SAARF, 2002b).

General

Water, electricity and flush toilets are generally available to this group (Anon, 2002). This group has the average number of durables in their possession, some of which include a television (96%), radio (90%) or hi-fi (75%), video cassette recorder (48%), electric stove (91%), microwave (45%), refrigerator (96%), washing machine (38%), cell phone (33%) and motor vehicle (13%) (SAARF, 2004).

e) SU-LSM-group 7 (6,3% of the adult population)

Demographics

This group's age ranges from 25 to 49 years (53%). The majority of this group (99%) has been to school, with 41% having completed matric (SAARF, 2004). The average monthly household income of LSM-group 7 is estimated at R5 859, and 60% lives in urbanised areas (SAARF, 2003).

Media consumption

Popular radio stations include METRO FM (28%), Radiosondergrense (RSG) (10%) and East Coast Radio (9%). SABC 1 is still the most popular television station (87% reach), while e.tv, SABC 2, SABC 3 and M-Net respectively have 85%, 81%, 73%, and 25% penetration of the total viewership (SAARF, 2004).

Readership of newspapers is at 77%, with the most popular newspapers being the Sunday Times (26%), City Press (16%), Sowetan (10%) and Rapport (10%). Magazines' readership level is at 63%, with Edgars Club Magazine (18%), Sunday Times Magazines (17%) and You (17%) being the most popular magazines (SAARF, 2004).

Cinema attendance – cinema reach – of this group is at 12%. Outdoor advertising such as billboards, signs on shops and on taxis is of less importance to this group. However, outdoor advertising such as bus shelters, trailers, trucks, buses and trains have relatively more importance (SAARF, 2004).

General

This group has general possession of the majority of familiar durables, and has full access to services (Anon, 2002).

f) SU-LSM-group 8 (5,8% of the adult population)

Demographics

The major part of this group (55%) is aged 35 years and older, with 95% being urban dwellers. Education levels are slightly higher than SU-LSM 7, with the majority having matric or higher (SAARF, 2004). The monthly household income of this SU-LSM averages R8 053 (SAARF, 2003).

Media consumption

The reach of television (98%) is slightly higher than that of radio (91%), but both mediums have exceptionally high reach. The highest listener penetration is for METRO FM (17%), Radiosondergense (RSG) (13%), 94.7 Highveld Stereo (13%), 5fm (12%) and Jacaranda 94.2fm (10%). E.tv (83%) has the highest television viewership, with the SABC-channels having relatively similar reach of 76% to 79%. M-Net has a 36% reach in this SU-LSM-group (SAARF, 2004).

Newspapers' (81%) readership remains higher than that of magazines (70%). The most preferred newspapers and magazines to be read include Sunday Times (28%), Huisgenoot (21%), You (20%), Edgars Club Magazine (19%), Rapport (15%), City Press (7%), Sowetan (5%), Cape Argus (5%), The Star (5%) and Die Burger with a 5% reach (SAARF, 2004).

Cinema attendance increases to 17%, however, outdoor reach decreases slightly. Advertising on bus shelters, trailers and trucks are the only outdoor reach that increases (SAARF, 2004).

General

This SU-LSM generally has full access to services, as well as full ownership of durables (Anon, 2002). The majority of this group owns durables such as radio or hi-fi, television, M-Net (14%) or DStv-subscription (10%), video cassette recorder (78%), personal computer (22%), microwave (90%), fully automatic washing machine (58%), freezer (50%), tumble dryer (21%), dishwasher (3%), vacuum cleaner or floor polisher (73%), motor vehicle (50%) and 52% have a cell phone (SAARF, 2004).

Shoprite Checkers and Pick 'n Pay have been analysed in further detail by means of the questionnaires completed by their customers. According to these questionnaires, conclusions were made regarding the actual LSM-groups in which the customers of the stores can be classified.

3.7 SUMMARY

The LSM is a market segmentation tool, specifically designed for the South African market. However, neither race nor income is considered as variables in this segmentation tool.

The LSM moved from its initial limited thirteen variables and eight groups in the 1989 / 1990 survey, to its current 29 variables and ten groups in 2001. Each stage of the LSM-developments over time – from 1989 to 2001 – was discussed, with reference to the various variables and number of groups.

The SU-LSM-variables were identified, and the method to calculate the SU-LSM-score was explained. The connection between the SU-LSM and society was discussed by analysing SU-LSM's relationship with socio-economic factors.

Furthermore, the SU-LSM can be used in the selection of appropriate media for a selected target market. The eight MGM-groups – that are related to the level of media exposure of consumers – were analysed in terms of exposure to different media types as well as in terms of its relationship with various socio-economic factors. The connection between the SU-LSM and MGM were compared, to ensure that both these measurement tools could be used in this study.

Finally, the stores selected to participate in this study were analysed in terms of their respective target markets, and marketing strategies. Consequently, these stores' current target SU-LSM-groups were summarised, as to provide background information for the empirical conclusions and recommendations to be made.

CHAPTER 4

EMPIRICAL METHODOLOGY AND EXPOSITION

4.1 INTRODUCTION

The theoretical aspects of market segmentation and the Living Standards Measure (LSM) market-segmentation tool were studied in the previous chapters. In this chapter, the theory will be implemented and tested in practice by discussing the empirical methodology and the interpretation of the results of the questionnaires.

4.2 EMPIRICAL METHODOLOGY

Selecting an appropriate sample for the study included identifying the most suitable population, determining the sample to be included, and the size the sample should be in order to be representative.

4.2.1 Study Population and Sampling

The population of this study consists of the customers of Pick 'n Pay and Shoprite Checkers in Potchefstroom. As mentioned, however, the exact number of customers for each of these stores is unknown, and it was therefore impossible to accurately determine the population size.

In order to determine a valid and representative sample size, a formula provided by the Statistical Consultation Services (SCS) of the North-West University (Potchefstroom Campus) was used. This formula is commonly used to determine the size of a relationship sample, such as this one.

Formula (Steyn *et al.*, 1998:397):

$$n \geq \frac{(1,96)^2 (p)(1-p)}{e^2}$$

n – sample size
p – proportion
e – deviation %

According to SCS, if the population size is unknown, the p-value (proportion) can be accepted to be ½. Thus, if $p = \frac{1}{2}$, the final formula used to ensure the accuracy of the study, was:

$$n \geq \frac{1}{e^2}$$

n – sample size
e – deviation %

The maximum deviation allowed for the calculation of the sample size was 5%. Thus, with a 5% deviation ($e = 0,05$), the sample size should be a minimum of 400 customers for each store – 800 respondents in total.

Due to the nature of this study, no specific sampling method could be used. The only means, by which a viable and representative sample could be ensured, were to survey respondents at different days of the week, and at different times of the day. By conducting the empirical research over a period of three weeks furthermore ensured unbiased research. Appendix A provides the schedule according to which the empirical research was conducted.

4.2.2 Questionnaire Design

The design of the questionnaire used in this study was extremely important. Since respondents were surveyed while shopping, the questionnaire needed to be kept relatively short. This was necessary to prevent that the respondents became irritated and refused cooperation.

Due to the diverse nature of the population – different genders, ages, population groups and income groups – the questionnaire was compiled in such a way as to be presentable to the entire population of this study.

The questionnaire itself consists of two sections:

- The first section gathered information on the demographic aspects of respondents. This included demographics such as area of residence, population group, education, age, gender and monthly income. These questions are based on the demographic information the SU-LSM has on its various LSM-groups (SAARF, 2004 – Table 38). Multiple-choice questions were used to gather this information.
- The second part was used to classify respondents according to their living standards, by making use of the SU-LSM-classification scorecard. The LSM-variables were applied as dichotomous questions in this section.

The statistical consultation services of the North-West University (Potchefstroom Campus) performed the technical preparation of the questionnaires to ensure that the questionnaires were statistically correct and that they would provide accurate and meaningful statistical results.

As mentioned, the minimum sample size for this study to be viable is 800 respondents – 400 for each store. As Table 4-1 indicates, a total of 980 respondents were surveyed, 490 at each store. The study is therefore even more viable, since the deviation is less than the initial 5%.

Table 4-1 Amount of respondents

STORE	AMOUNT	PERCENTAGE
Shoprite Checkers	490	50
Pick 'n Pay	490	50
TOTAL	980	100

The customers of the selected stores were surveyed at the entrance of each of these stores. Surveying was conducted over a three-week period (from Monday, 26 July 2004 to Sunday, 15 August 2004) in order to obtain a high response rate and to ensure that the diversity of the population is reflected.

Four fieldworkers (two at each store) performed the surveying to ensure that each respondent understood the questions. Furthermore, the researcher was continuously present to clarify any misunderstandings.

The data, gathered from the completed questionnaires, were entered into the Epi Info 6 (Version 6.02 – October 1994) programme during the surveying period. The aforementioned data was provided to the Statistical Consultation Services, where this data was processed into meaningful and useful information, by means of the SAS and Statistica systems.

The information obtained from the participating respondents was then analysed and evaluated in order to make relevant assumptions that could contribute to reaching the study's main objective.

4.2.3 Statistical Analysis

Various statistical tests were conducted to determine the relationships between the identified factors, and to test the reliability and validity of the questions asked.

a) Cronbach coefficient alpha analysis

This was the first type of statistical analysis conducted in the study. This analysis was used to estimate the reliability of the SU-LSM-variables used in the questionnaire (Appendix B, question 8), by determining the internal consistency of the average correlation of these variables. If the coefficient between each pair of variables has a value of 1, the coefficient alpha will have a maximum value of 1. The larger the overall alpha coefficient, the more likely those items contribute to a reliable scale (Anon, 2004a).

b) Frequency analysis

This procedure includes the general frequency tables on the various questions asked in the questionnaire. These tables consist of frequency, percentage, cumulative frequency and cumulative percentage of the respondents' answers.

c) Multi-way frequency analysis

In this study, the customers of Shoprite Checkers and Pick 'n Pay were compared in terms of their SU-LSM-classifications. Therefore, a relationship analysis was done between the variables of these two stores. To determine whether the relationships are practically significant, Chi-square tests were done.

The effect size is given by $w = \sqrt{\frac{X^2}{n}}$, where X^2 is the usual Chi-square statistic for the contingency table and n is the sample size (Steyn, 1999; Steyn, 2002). In the case of a 2 x 2 table, as is the case in this study, the effect size (w) – which is independent of sample size – is given by the phi (ϕ) -coefficient. Cohen (1988:109-111) gives the following guidelines for the interpretation of such results:

- small effect: $w \leq 0,1$ (practically insignificant)
- medium effect: $0,3 \leq w \leq 0,5$
- large effect: $w \geq 0,5$ (practically significant)

d) Correspondence analysis

Correspondence analysis is an exploratory technique for analysing cross-classifications of two or more categorical variables (multi-way frequency tables) by representing it geometrically. To determine how row and column categories from a multi-way frequency table interact with one another, they can be plotted on the same diagram (biplots).

Row and column categories that have similar profiles will appear in close proximity on the plot. A value close to zero on the plot indicates no interaction (association) between the row and column categories. If, for example, row category 1 is closest to column category 2 on the plot, nothing can be determined about their magnitude of interaction in an absolute sense. It can only be interpreted in relative terms, that is, row category 1 is relatively more likely to interact with column category 2 (Bartholomew *et al.*, 2002:90).

4.2.4 Reliability of the Study

As discussed, Cronbach's coefficient alpha was used to test the reliability of the SU-LSM-variables. As Table 4-2 indicates, the correlation between each pair of variables is more than 0,7, and the average alpha coefficient is almost 0,8. From the aforementioned information, it can be said that this testing method – the 29 variables of the SU-LSM – is highly significant. These variables therefore have a strong correlation with one another, and make the study in general reliable.

4.3 EMPIRICAL EXPOSITION

Once the importance of market segmentation and how the LSM operates is understood, the surveying results can be interpreted to determine the objectives of the study. In this section, the information gathered from the questionnaires will be analysed.

Firstly, the general information on the respondents, which includes area of residence, gender, population group, education, age and monthly income, is studied. Secondly, to successfully classify the respondents, their living standards are analysed according to the SU-LSM-scorecard (see Appendix B).

Table 4-2 Cronbach's coefficient alpha of variables

VARIABLE	RAW VARIABLES ALPHA
1. Hot running water	0,757061
2. Washing machine	0,748991
3. Fridge / Freezer (combination)	0,769619
4. No domestic in household	0,816123
5. 0 or 1 radio set in household	0,803924
6. Flush toilet in- / outside house	0,769679
7. Video cassette recorder	0,755129
8. Motor vehicle(s) in household	0,747043
9. Personal computer	0,760241
10. No cellphone in household	0,798243
11. Electric stove	0,767345
12. Tumble dryer	0,750239
13. Home telephone	0,756157
14. Traditional hut	0,806820
15. Vacuum cleaner / Floor polisher	0,750055
16. Television set(s)	0,767887
17. Microwave oven	0,754440
18. M-Net / DStv subscription	0,757377
19. Rural rest (excluding Western Cape & Gauteng rural)	0,787921
20. Hi-fi / Music centre	0,766544
21. Built-in kitchen sink	0,756438
22. Home security service	0,758913
23. Deep freezer	0,756054
24. Water in home or on stand	0,773483
25. Sewing machine	0,761019
26. Dishwasher	0,760278
27. Electricity	0,775206
28. Live in Gauteng	0,776105
29. Live in Western Cape	0,776766
Average alpha coefficient	0,775998

4.3.1 Demographic Information

To test the accuracy of the SU-LSM market-segmentation tool on the customers of the selected stores, it was important to gather the customers' general information. The following tables represent the analysis of the respondents' demographics, including the total for each store (Pick 'n Pay and Shoprite Checkers) as well as the overall total.

As shown in Table 4-3, more than 80% of the total amount of respondents resides in the North-West Province. The aforementioned is probable, since the study was only conducted at Shoprite Checkers and Pick 'n Pay in Potchefstroom (North-West Province). However, 18% of the total amount of respondents resides outside of the North-West Province. This is likely, since Potchefstroom is home to the North-West University (Potchefstroom campus), which hosts a substantial amount of students from around the world. Nevertheless, as can be seen from the *w*-value, there is practically no similarity between Shoprite Checkers and Pick 'n Pay's respondents and their province of residence (*w*-value = 0,1709).

Table 4-3 Province of residence distribution for respondents

PROVINCE	SHOPRITE CHECKERS	PICK 'N PAY	TOTAL
Western Cape	1	3	2
Northern Cape	1	1	1
Free State	3	3	3
Eastern Cape	0	0	0
KwaZulu-Natal	1	2	2
Mpumalanga	1	3	2
Limpopo	0	2	1
Gauteng	5	9	7
North-West	88	77	82
All values are expressed as percentages <i>W-value = 0,1709 (practically insignificant – no similarity)</i>			

Table 4-4 indicates that males are becoming more involved in the shopping process. Although the majority of respondents (59%) were female, they were not much more than the male respondents (41%). Therefore, the similarity of the gender distribution between Shoprite Checkers and Pick 'n Pay's respondents are practically insignificant (w -value = -0,0663), even though Shoprite Checkers had slightly more female respondents.

Table 4-4 Gender distribution of respondents

GENDER	SHOPRITE CHECKERS	PICK 'N PAY	TOTAL
Male	38	45	41
Female	62	55	59
All values are expressed as percentages <i>W-value = -0,0663 (practically insignificant – no similarity)</i>			

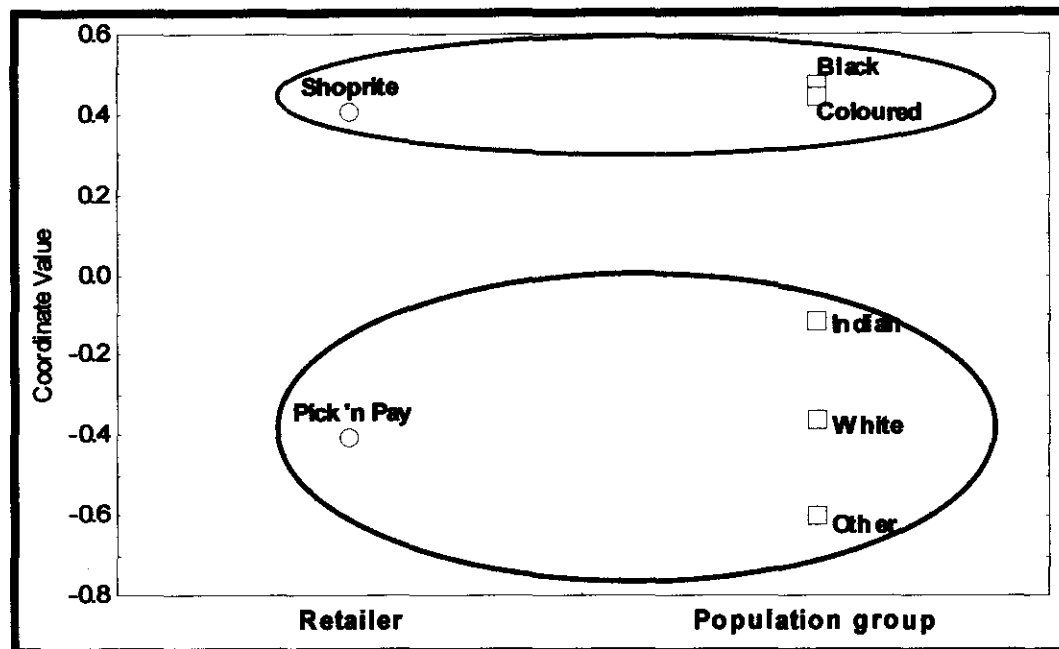
Even though both stores are located in the CBD of Potchefstroom and are only three blocks apart, the majority of the total respondents were White (see Table 4-5). However, it is clear that Shoprite Checkers had significantly more Black respondents (50%) in relation to the other population groups. Pick 'n Pay, on the contrary, had mainly White respondents (72%). The Coloured and Indian population groups were not notably represented at either of the stores. As the w -value indicates, the similarity between the respondents' population group and the selected stores are practically significant (w -value = 0,4059).

Table 4-5 Population group distribution of respondents

POPULATION GROUP	SHOPRITE CHECKERS	PICK 'N PAY	TOTAL
Black	50	18	34
Coloured	12	5	8
Indian	3	4	4
White	34	72	53
Other	1	1	1
All values are expressed as percentages <i>W-value = 0,4059 (practically significant)</i>			

The aforementioned relationship between the respondents' population distribution and the respective stores is clearly illustrated in the correspondence analysis in Figure 4-1.

Figure 4-1 Correspondence Analysis: The similarity between the respondents' population group and choice of store



As indicated in Table 4-6, 38% of the respondents have matric, with 39% post matric. In the case of Shoprite Checkers, 33% have less than matric, while 13% of Pick 'n Pay shoppers have less than matric. Pick 'n Pay's respondents overall have higher education levels than the respondents of Shoprite Checkers, with 87% having matric or higher. Statistically, the relationship between level of education and choice of store are practically insignificant (w -value = 0,2743).

The respondents' ages varied from young to old. However, as Table 4-7 signifies, more than 60% of the total amount of respondents was between the ages of 16 – 34 years. The aforementioned is understandable, since Potchefstroom is home to a considerable amount of students. However, Shoprite Checkers and Pick 'n Pay's respondents can – as seen from the w -value – not be distinguished by means of age distribution.

Table 4-6 Education distribution of respondents

EDUCATION	SHOPRITE CHECKERS	PICK 'N PAY	TOTAL
No schooling	2	1	1
Some primary schooling	2	0	1
Primary schooling	4	0	2
Some high schooling	25	12	19
Matric	35	40	38
Technikon	6	8	7
Diploma or Certificate	15	17	16
University degree	11	22	16
All values are expressed as percentages <i>W-value = 0,2743 (small practical significance effect)</i>			

Table 4-7 Age distribution of respondents

AGE	SHOPRITE CHECKERS	PICK 'N PAY	TOTAL
16 – 24 years	31	34	33
25 – 34 years	35	26	30
35 – 49 years	21	20	21
50 years and older	13	20	16
All values are expressed as percentages <i>W-value = 0,1131 (practically insignificant)</i>			

The variation in the respondents' monthly income is shown clearly in Table 4-8. The largest percentage of Shoprite Checkers's respondents (37%) fell into the lowest income category, earning less than R500 per month. Twenty-one percent of Pick 'n Pay's respondents earn between R4 000 and R6 999 per month, with 18% earning less than R500 per month. The similarity of monthly income between the respondents of Shoprite Checkers and Pick 'n Pay can be accepted to be practically significant (w -value = 0,2987).

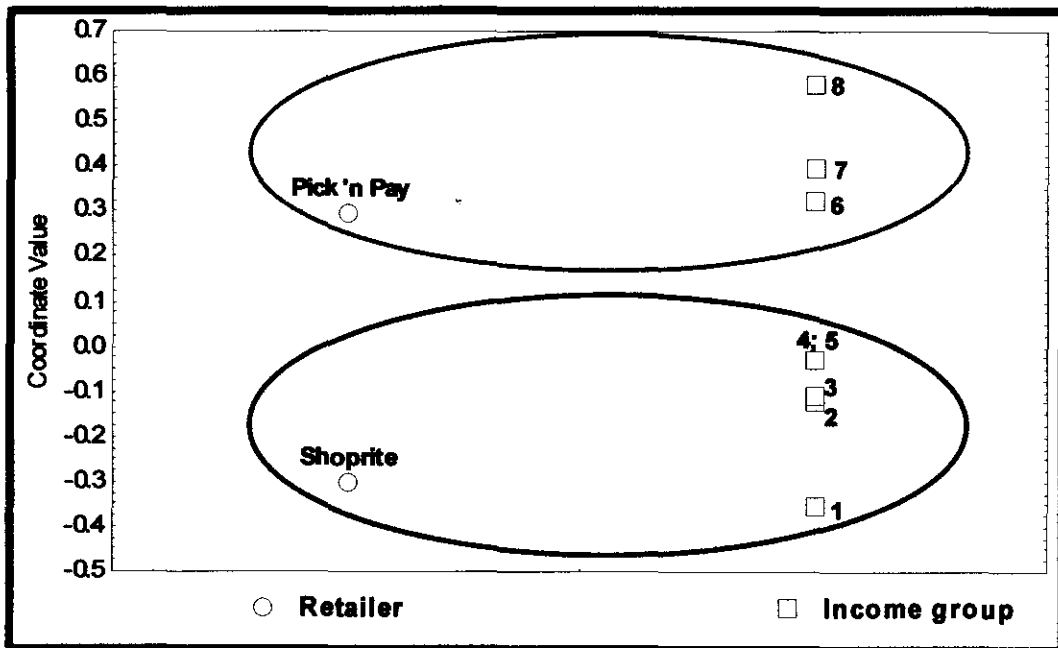
Table 4-8 Monthly income of respondents

No.	MONTHLY INCOME	SHOPRITE CHECKERS	PICK 'N PAY	TOTAL
1	Less than R 500	37	18	27
2	R 500 – R 899	11	9	10
3	R 900 – R1 399	10	8	9
4	R1 400 – R2 499	10	9	10
5	R2 500 – R3 999	12	11	12
6	R4 000 – R6 999	11	21	16
7	R7 000 – R11 999	6	15	10
8	R12 000 or more	3	9	6

All values are expressed as percentages
W-value = 0,2987 (medium practically significant effect)

Figure 4-2 clearly illustrates the relationship between the respective stores and monthly income. The numbers used in Figure 4-2 represent the various categories of monthly income as allocated in Table 4-8 (for example: 1 = "Less than R500").

Figure 4-2 Correspondence Analysis: The similarity between the respondents' monthly income and choice of store



4.3.2 Living Standards Information

To determine the LSM-groups according to which the customers of the related stores can be classified, their responses on the LSM-questions had to be analysed. After calculating the respondents' LSM-scores – by means of the process discussed in Chapter 3 (paragraph 3.4.2) – their respective SU-LSM-groups could be determined.

As can be derived from Table 4-9, in total more respondents fall into SU-LSM-group 6 than in any of the other groups (see Table 4-9). SU-LSM-groups 1 to 5 can almost be eliminated, since nearly none of the respondents complied with these five groups. Although the majority (50%) of Shoprite Checkers's respondents fall into SU-LSM-group 6, the second highest group is SU-LSM-group 10 (17%). It would therefore be reasonable to conclude that Shoprite Checkers's respondents (target market) in Potchefstroom range from SU-LSM-group 6 to 10.

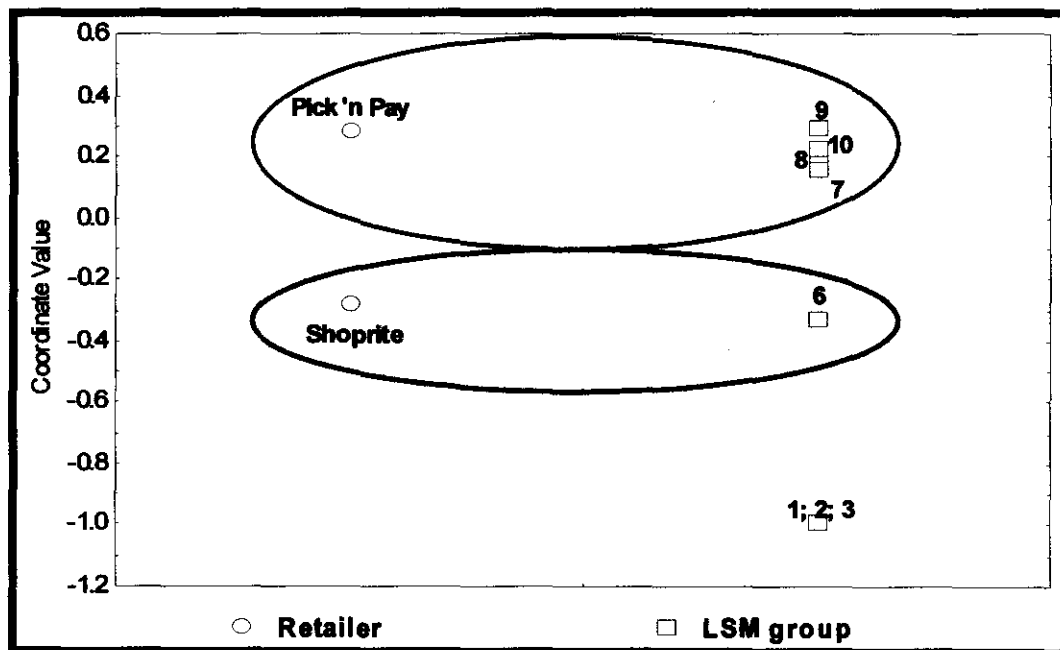
Table 4-9 Contingency: The similarity between the respondents of Pick 'n Pay and Shoprite Checkers's SU-LSM-groups

	SHOPRITE CHECKERS	PICK 'N PAY
SU-LSM Group 1	1	0
SU-LSM Group 2	1	0
SU-LSM Group 3	0	0
SU-LSM Group 4	0	0
SU-LSM Group 5	0	0
SU-LSM Group 6	50	25
SU-LSM Group 7	12	16
SU-LSM Group 8	10	15
SU-LSM Group 9	9	17
SU-LSM Group 10	17	27
All values are expressed as percentages <i>W-value = 0,2824 (medium practically significant effect)</i>		

As for Pick 'n Pay, it is apparent that its respondents are distributed over SU-LSM-groups 6 to 10. Although Pick 'n Pay has slightly more respondents in SU-LSM-group 10, the *w*-value indicates only a medium practically-significant effect. Thus, meaning that the type of store might have *some* connection to the various SU-LSM-groups. Since none of the respondents could be classified into SU-LSM-group 4 or 5, these related groups will be left out for the remainder of the study.

From Figure 4-3 it is apparent that Shoprite Checkers's respondents are mainly classified into SU-LSM-group 6, and Pick 'n Pay's respondents into SU-LSM-groups 7 to 10. It is also clear that SU-LSM-groups 1 to 3 are standing alone, since almost none of the respondents were classified into these groups.

Figure 4-3 Correspondence Analysis: The similarity between the respondents of Pick 'n Pay and Shoprite Checkers's SU-LSM-groups



It is clear from Table 4-10 that most of the SU-LSM-groups reside in the North-West Province. The aforementioned is understandable, since the study was only conducted on the customers of Shoprite Checkers and Pick 'n Pay in Potchefstroom (North-West).

The *w*-value furthermore indicates a medium practically-significant effect and it could therefore be accepted that there is a similarity between the respondents' province of residence and their SU-LSM-groups.

Table 4-10 Contingency: The similarity between the respondents' SU-LSM-groups and their province of residence

PROVINCE	SU-LSM-GROUPS							
	1	2	3	6	7	8	9	10
Western Cape	0	0	0	1	3	5	0	3
Northern Cape	0	0	0	1	2	0	1	1
Free State	0	0	0	2	4	3	5	3
Eastern Cape	0	0	0	0	1	1	0	1
KwaZulu-Natal	0	0	0	0	1	2	2	2
Mpumalanga	0	0	0	0	4	4	3	1
Limpopo	0	0	0	1	2	2	1	1
Gauteng	33	0	100	2	9	7	5	16
North-West	67	100	0	93	74	76	83	72

All values are expressed as percentages
W-value = 0,3317 (highly significant)

Gender, on the other hand, cannot be used as a determinant of SU-LSM-groups (see Table 4-11). Even though females seem to be dominating the lower SU-LSM-groups, the *w*-value indicates that this relationship is practically insignificant.

Table 4-11 Contingency: The similarity between the respondents' SU-LSM-groups and their gender

GENDER	SU-LSM-GROUPS							
	1	2	3	6	7	8	9	10
Male	33	20	0	36	47	47	47	42
Female	67	80	100	64	53	53	53	58
All values are expressed as percentages <i>W-value = 0,1066 (practically insignificant)</i>								

Although population group (race) is not included as a variable of the LSM index, it was tested to determine its relation with the living standards of the respondents.

As shown in Table 4-12, the Black population correlates strongly with the lower SU-LSM-groups (groups 1 to 6) and, however low in numbers, it also correlates with some of the higher groups. The White population group, on the contrary, correlates stronger with the higher SU-LSM-groups (groups 7 to 10). Most of the Coloured population (60%) falls into SU-LSM-group 2, with the small Indian population being represented in the higher SU-LSM-groups.

Table 4-12 Contingency: The similarity between the respondents' SU-LSM-groups and their population group

No.	POPULATION GROUP	SU-LSM-GROUPS							
		1	2	3	6	7	8	9	10
1	Black	100	40	100	68	25	20	10	3
2	Coloured	0	60	0	13	11	8	5	1
3	Indian	0	0	0	0	2	2	9	8
4	White	0	0	0	18	60	70	75	87
5	Other	0	0	0	1	2	0	1	1
All values are expressed as percentages <i>W-value = 0,6795 (highly significant)</i>									

The w-value indicates that the correlation between the respondents' SU-LSM-group and population group is practically significant (large effect). Thus, even though race is not a denominator of SU-LSM, the respondents of this study still indicate the reality.

As illustrated in Figure 4-4, it is apparent that the Black and Coloured population correlates strongly with SU-LSM-group 6. The Indian and White population, on the other hand, strongly correlate with SU-LSM-groups 9 and 10. Population group 5, which represents any other population group, cannot be related to any specific SU-LSM-group.

The numbers used in Figure 4-4 represent the various population groups as allocated in Table 4-12 (for example: 1 = "Black").

Figure 4-4 Correspondence Analysis: The similarity between the respondents' SU-LSM-groups and their population group

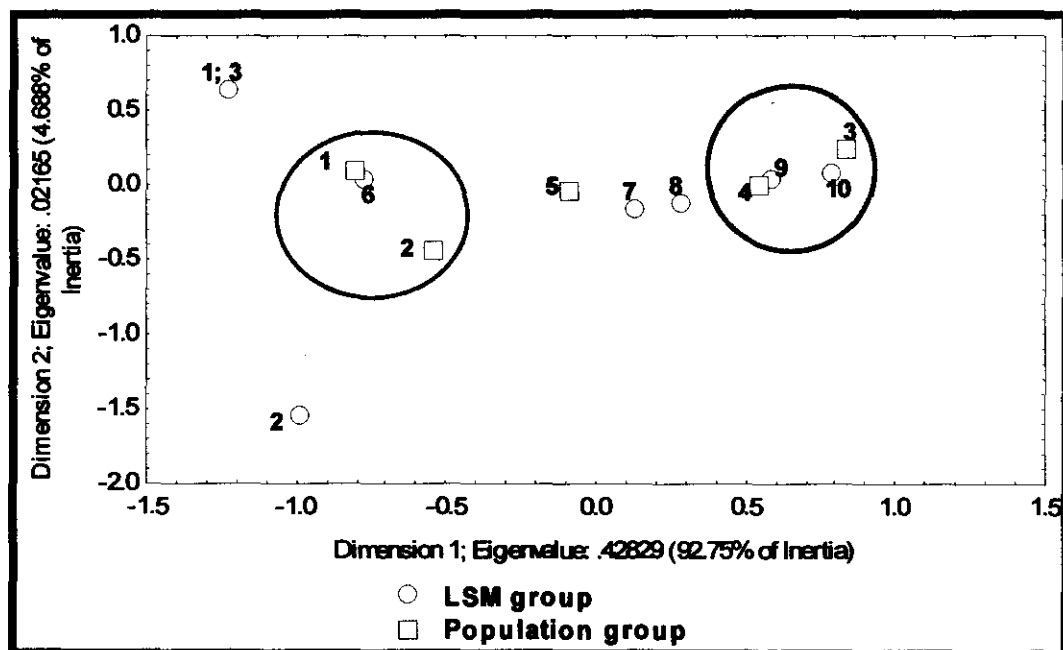


Table 4-13 indicates that SU-LSM-groups 1 and 2 have the lowest education levels. The higher SU-LSM-groups (groups 7 to 10), on the other hand, have higher education levels. The average level of education is having some high schooling or having matric. However, the majority of the SU-LSM-groups have some high school or higher education levels. Education levels have a strong correlation with the various SU-LSM-groups (w -value = 0,6535).

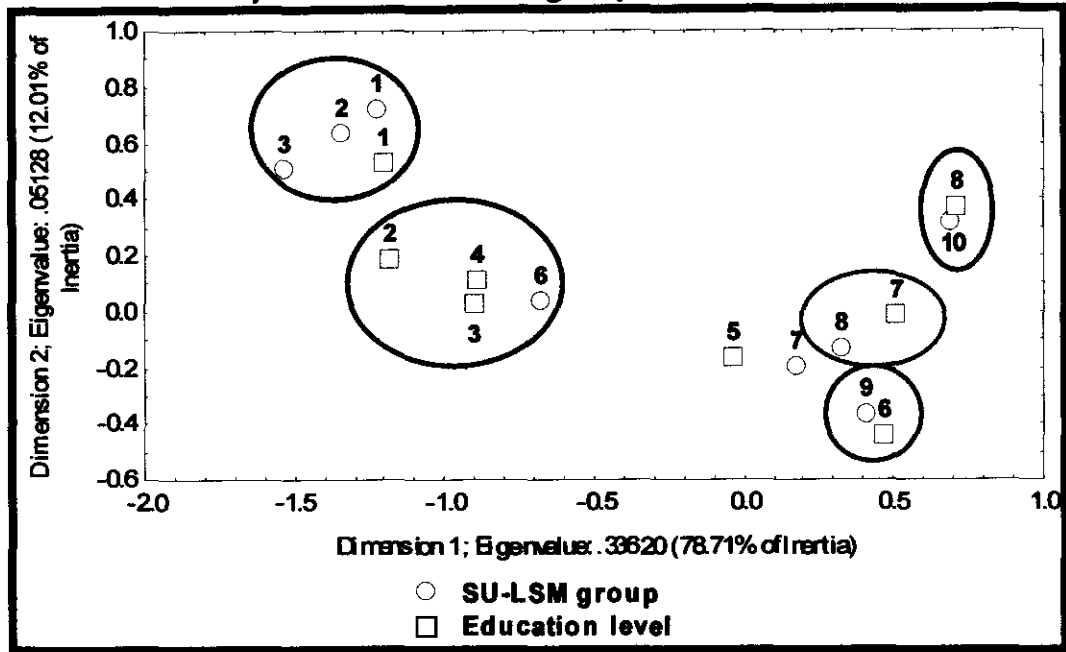
Table 4-13 Contingency: The similarity between the respondents' SU-LSM-groups and their education levels

No.	EDUCATION	SU-LSM-GROUPS							
		1	2	3	6	7	8	9	10
1	No schooling	34	20	0	3	0	0	0	0
2	Some primary schooling	0	0	0	2	0	0	0	0
3	Primary schooling	0	0	0	5	1	2	0	0
4	Some high schooling	33	60	100	39	11	6	5	2
5	Matric	33	20	0	38	49	41	42	27
6	Technikon	0	0	0	2	9	11	15	6
7	Diploma / Certificate	0	0	0	7	14	20	26	26
8	University degree	0	0	0	4	16	20	12	39

All values are expressed as percentages
W-value = 0,6535 (practically significant)

The graphic illustration in Figure 4-5 reviews the abovementioned correlation between respondents' SU-LSM-groups and their education levels. It is clear that the lower SU-LSM-groups correlate stronger with the lower education levels, and the higher SU-LSM-groups with the higher education levels. The numbers used in Figure 4-5 represent the various education levels as allocated in Table 4-13 (for example: 1 = "No schooling").

Figure 4-5 Correspondence Analysis: The similarity between the respondents' SU-LSM-groups and their education levels



Age and the SU-LSM-groups of respondents have a medium significance effect (see Table 4-14). SU-LSM-groups 1 to 3 are relatively young, falling in the “16 to 34 years old” age group. However, the higher the SU-LSM-groups, the more distributed the age groups become.

Table 4-14 Contingency: The similarity between the respondents' SU-LSM-groups and their age

AGE	SU-LSM GROUPS							
	1	2	3	6	7	8	9	10
16 – 24 years	33	20	0	32	40	38	29	30
25 – 34 years	67	60	100	38	21	35	29	19
35 – 49 years	0	20	0	18	16	11	25	30
50 years and older	0	0	0	12	23	16	17	21

All values are expressed as percentages
W-value = 0,2532 (medium practically significant effect)

As indicated in Table 4-15, the lower SU-LSM-groups (1 to 3) tend to have a low monthly income. SU-LSM-groups 6 to 10 are more distributed over the various income groups, with the majority of group 10 (65%) earning more than R4 000 per month. The significance effect of the correlation between the respondents' SU-LSM-groups and their monthly income is relatively large (w -value = 0,6254).

Table 4-15 Contingency: The similarity between the respondents' SU-LSM-groups and their monthly income

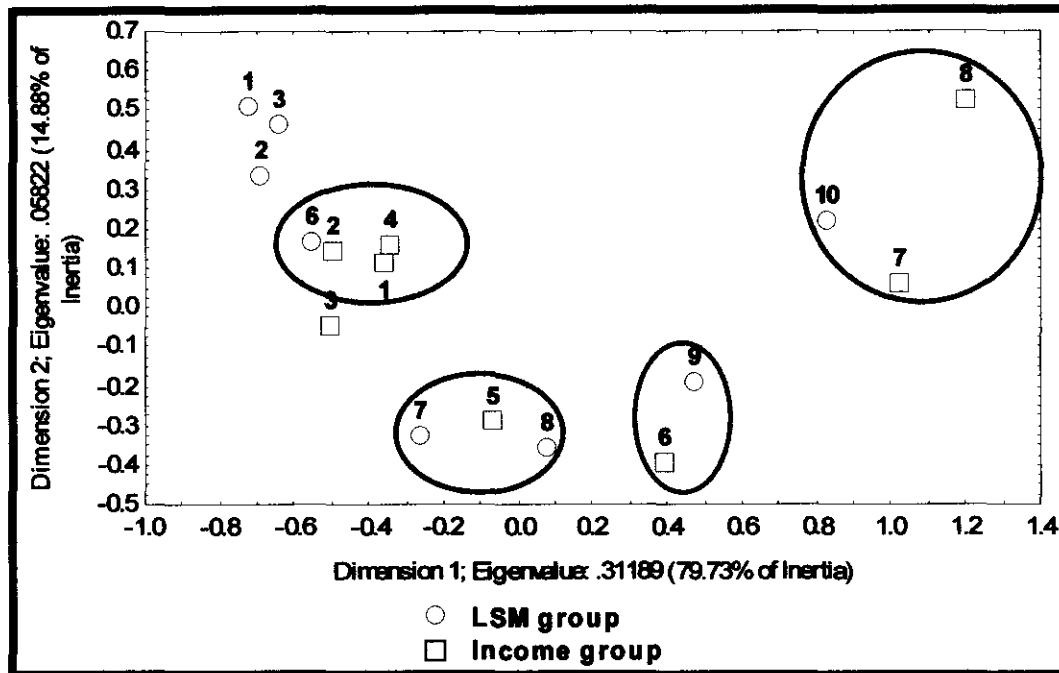
No.	MONTHLY INCOME	SU-LSM-GROUPS							
		1	2	3	6	7	8	9	10
1	Less than R500	67	80	100	38	29	21	16	16
2	R500 – R899	33	0	0	16	9	7	6	3
3	R900 – R1399	0	20	0	14	12	12	2	3
4	R1 400 – R2499	0	0	0	15	8	7	8	6
5	R2 500 – R3999	0	0	0	10	19	13	14	7
6	R4 000 – R6999	0	0	0	5	21	26	25	19
7	R7 000 – R11999	0	0	0	1	2	12	21	26
8	R12 000 or more	0	0	0	1	0	2	8	20

All values are expressed as percentages
W-value = 0,6254 (practically significant)

As illustrated in Figure 4-6, SU-LSM-group 6 relates strongly with the lower income groups (groups 1, 2 and 4). SU-LSM-groups 7 and 8 correlate with income group 5, SU-LSM-group 9 correlates with income group 6, and SU-LSM-group 10 correlates with the two highest income groups (groups 7 and 8). The numbers used in Figure 4-6 represent the various income groups as allocated in Table 4-15 (for example: 1 = "Less than R500").

Thus, even though income is not a SU-LSM-variable or determinant, it is clear that income and SU-LSM do relate strongly with one another. The higher the SU-LSM-group, the higher the income levels.

Figure 4-6 Correspondence Analysis: The similarity between the respondents' SU-LSM-groups and their monthly income



4.4 SUMMARY

In this chapter, the research method was discussed and interpretations were made on the results of the empirical study. These findings should be considered by Shoprite Checkers and Pick 'n Pay in order to develop effective, efficient and sustainable marketing strategies for their respective businesses. The next chapter will include recommendations made to assist these stores in selecting target markets and developing successful marketing strategies for these target markets.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY AND OVERVIEW OF THE STUDY

This study focussed on the process of market segmentation and two relatively unknown market segmentation tools, namely the Living Standards Measure (LSM) and Media Groups Measure (MGM). Emphasis was placed on segmenting the customers of Shoprite Checkers and Pick 'n Pay in Potchefstroom.

The primary goal of this study was to determine the actual target markets of selected stores by means of the LSM-tool, and to furthermore recommend improved marketing strategies. To achieve this goal, it was essential to examine market segmentation, LSM and MGM comprehensively.

In chapter one the key terms used throughout the study were defined. The reasons and need for the study were motivated, and objectives were formulated to describe the means by which the aim of the study would be achieved. The population and sample for the study was identified. Finally, the research design and procedure were clarified, the statistical analysing methods were explained, and the limitations of the study were listed.

To achieve the first objective – to describe market segmentation by emphasising its importance and discussing the market segmentation process – a detailed study of market segmentation was conducted in chapter two. This chapter commenced by providing a background on and emphasising the importance of market segmentation. Then, the entire market segmentation process was discussed in detail.

Since customers form the core of a business, it is essential for the business to identify its customers and their needs. Even though customers differ in terms of their wants, needs and behaviours, they can be grouped together according to some similarities in their character. The aforementioned grouping of homogenous customers is known as market segmentation. The most important objective of market segmentation is to improve the marketing performance of a business.

To conduct successful market segmentation, a business should identify the market(s) of interest. A market can consist of either consumers or businesses that want or need a certain product offering, and that are able and willing to pay for the required product offering. Since a business wants a homogeneous group of customers that are distinct from other segments, segmentation bases can be combined to effectively segment the selected market.

As discussed, successful market segmentation requires comprehensive evaluation, and has to comply with certain criteria, characteristics and rules. After the segments have been evaluated, the business should select the segment that complies best with the objectives and activities that it wishes to target. The business should determine a strategy to target the selected segment and should identify ways to distinguish itself in the competitive market environment.

Finally, in order to develop an effective marketing strategy, the business should develop an effective marketing mix, customised to fit the business and marketing objectives. The four marketing mix elements – product, price, place and promotion – are essential to achieve the business' marketing objectives and to maintain a competitive advantage in the market environment.

The second objective – to explain the application of the LSM- and MGM-tools in identifying target markets and selecting media to reach these target markets – was achieved in chapter three of this study. This chapter mainly discussed the

nature of the South African Advertising Research Foundation (SAARF), the development and application of the LSM- and MGM-tools.

SAARF is a non-profit organisation that developed both the LSM- and MGM-tools. SAARF is managed by a joint industry body that consists of the advertising, marketing and media industries in South Africa. This joint body assists SAARF in achieving its main objective, namely to provide a common research currency to aid in the buying and selling of advertising time and space.

The LSM is South Africa's first multivariate market-segmentation tool, used for the first time in 1989. This tool is unique since it was developed specifically for the diverse South African market. Furthermore, the LSM differentiates people according to their living standards, instead of their income or race. The LSM developed substantially from what it was in 1989, to what it is now.

Currently the LSM-index, now known as the SAARF Universal LSM (SU-LSM), comprises of 29 household variables. The SU-LSM-index furthermore ranges from SU-LSM-group 1 (lowest living standards) to SU-LSM-group 10 (highest living standards). As indicated in chapter two, the SU-LSM clearly differentiates better between some socio-economic factors than others.

The MGM is also a market segmentation tool, with the main purpose of optimising the selection of media in reaching certain target markets. The MGM obtains consumers' media consumption information, by examining the amount and combinations of the different media consumed.

The types of media examined include cinema, newspapers, magazines, Internet, radio, television and outdoor media. The MGM-scale furthermore consists of eight groups – from MGM-group 1 (one) with the lowest media exposure levels, to MGM-group 8 (eight) with the highest media exposure levels. The MGM – just as the SU-LSM – differentiates stronger between some socio-economic factors than others.

Shoprite Checkers currently makes use of a mass-market approach, by targeting the broad-middle to lower market, which includes SU-LSM-groups 3 to 8. Pick 'n Pay, in contrast, targets customers with medium-high living standards. This store follows a more concentrated marketing approach, by targeting only SU-LSM-groups 6 to 8.

The third objective – to conduct an empirical investigation into the application of the LSM-tool in the selected stores – was reached in chapter four. This chapter explained the method by which the empirical study was conducted and interpreted the empirical results. Interpretations of respondents' answers were demonstrated by means of tables and figures.

5.2 CONCLUSIONS

The customers' responses to the questionnaires were analysed to determine their demographic status, as well as their living standards. The respondents of Shoprite Checkers and Pick 'n Pay were compared in terms of their SU-LSM-group classification. The questionnaires were therefore used to determine both Shoprite Checkers and Pick 'n Pay's actual target markets, from which recommendations regarding their marketing activities can be made.

The overall results, SU-LSM-groups, and the results of Pick 'n Pay and Shoprite Checkers's customers can accordingly be concluded.

5.2.1 Overview of Results

General conclusions regarding the study entail:

- By using the formula of Steyn *et al.* (see Chapter 1), the target response rate was determined at 400 respondents for each store, thus 800 respondents in total. However, 490 respondents were surveyed at each

store amounting to 980 respondents in total. The aforementioned therefore resulted in a more viable study.

- A diverse amount of customers were included in the study. Respondents varied substantially in gender, age, population group, education levels and income groups.
- Most of the respondents (82%) reside in the North-West Province, since the study was only conducted in Potchefstroom in the North-West Province. The remainder of the respondents that reside outside of the North-West Province, amount for students coming from other parts of the country.
- Gender does not differentiate shoppers significantly. The amount of female respondents (59%) was slightly more than the male respondents (41%), but it is clear that males are increasingly participating in the shopping process.
- There were slightly more White (53%) respondents than Black (34%) ones. The Coloured and Indian population groups, however, were not significantly representative in the study.
- Respondents ranged from the youngest to the oldest age groups. However, 63% of the respondents were between the ages 16 to 34 years. Due to the university located in Potchefstroom, this city can be considered as a “student town”. It is thus reasonable that the “16 to 34 years”-age group had the highest amount of respondents.

5.2.2 SU-LSM-Groups

The SU-LSM-tool was tested in practice by determining the SU-LSM-classifications of the customers of Shoprite Checkers and Pick 'n Pay in

Potchefstroom. By means of Cronbach's coefficient alpha, the SU-LSM-index's variables were proven reliable.

The following conclusions regarding the application of the SU-LSM-tool in the study can be made:

- Almost all of the SU-LSM-groups reside in the North-West Province. This is, as mentioned, because the study was only conducted in Potchefstroom in the North-West Province.
- There is no significant correlation between the respondents' gender and their SU-LSM-groups.
- The lower SU-LSM-groups (groups 1 to 3) mainly consist of young people, varying between the ages 16 to 34 years. The higher SU-LSM-groups, however, vary from young to old.
- The population groups correlate strongly with the SU-LSM-classifications. SU-LSM-groups 1 to 6 mainly consisted of Black and Coloured people, whereas SU-LSM-groups 7 to 10 mainly comprised of White and Indian people. Black people are visible in the higher SU-LSM-groups, however not that strongly. Thus, Black and Coloured people still have lower living standards than White or Indian people.
- SU-LSM-groups 1 to 6 clearly have lower education levels than the higher SU-LSM-groups. The highest education for the majority of SU-LSM-groups 1 to 6 is people with matric. SU-LSM-groups 7 to 10, on the other hand, have education levels that range from "some high schooling" up to having a university degree. Thus, lower SU-LSM-groups have low education levels, and higher SU-LSM-groups have higher education levels.

- There is a strong correlation between the respondents' monthly income and their respective SU-LSM-groups. SU-LSM-groups 1 to 3 have considerably lower income levels – ranging between less than R 500 to R1 399 per month – than the higher SU-LSM-groups. The income levels of SU-LSM-groups 6 and 7 are distributed over the different income categories. However, the higher the SU-LSM-groups the higher the income levels become.

The abovementioned conclusions can be compared with the conclusions SAARF made from the SU-LSM-tool in practice – see Appendix D.

5.2.3 Pick 'n Pay

The following conclusions regarding the customers of Pick 'n Pay in Potchefstroom can be made:

- Pick 'n Pay's customers were mainly White (72%), educated people, with 87% of the respondents having matric or higher education.
- The highest income category for Pick 'n Pay's respondents is the "R4 000 to R6 999 per month" category (21%). Although Pick 'n Pay's customers tend to be in the higher income groups, 18% of its respondents fall in the "Less than R500 per month" category. The largest age group of Pick 'n Pay ranges from 16 to 24 years old (34%), which indicates that these respondents were mainly students that do not earn a monthly income.
- Pick 'n Pay's customers were classified – according to their living standards – into SU-LSM-groups 6 to 10. The majority of Pick 'n Pay's respondents were divided between SU-LSM-group 6 (25%) and 10 (27%). Thus, Pick 'n Pay's customers have medium-high living standards.

5.2.4 Shoprite Checkers

The responses of the customers of Shoprite Checkers, Potchefstroom, revealed the following conclusions:

- Shoprite Checkers's customers included both Black (50%) and White (34%) people, with relatively low education levels. Only a third of this store's respondents have up to some high schooling.
- Shoprite Checkers's respondents are generally in the lower income groups, with 37% earning less than R500 per month.
- The majority (50%) of Shoprite Checkers's respondents were classified into SU-LSM-group 6, with the remaining respondents ranging from SU-LSM-groups 7 to 10. Thus, Shoprite Checkers's customers also have medium-high living standards.

As the abovementioned conclusions indicate, the target SU-LSM-groups for both Shoprite Checkers and Pick 'n Pay include SU-LSM-groups 6 to 10. These SU-LSM-groups correlate strongly with MGM-groups 6 to 8 – see Table 3-10. Thus, the type of media used for MGM-groups 6 to 8, can be applied on SU-LSM-groups 6 to 10.

5.3 RECOMMENDATIONS

As mentioned in Chapter 3, the target market of Shoprite Checkers includes SU-LSM-groups 3 to 8 (see paragraph 3.6.1), and Pick 'n Pay's target market ranges from SU-LSM-group 6 to 8 (see paragraph 3.6.2). These stores' target markets are determined by their respective headquarters, and are therefore similar countrywide.

From the results, it is clear that Shoprite Checkers and Pick 'n Pay's target SU-LSM-groups in Potchefstroom are different from those assigned to them by their respective headquarters. As the empirical results indicated, the target market of Potchefstroom's Shoprite Checkers mainly falls in SU-LSM-group 6, with the rest of its target market distributed over SU-LSM-groups 7 to 10. Pick 'n Pay in Potchefstroom's target market ranges from SU-LSM-groups 6 to 10.

In order for these stores to improve their overall performance, the following recommendations can be made regarding their target markets:

- The headquarters of both stores should revise their strategies, by focussing on provinces rather than countrywide. The headquarters should therefore consider developing differentiated marketing strategies for stores in different locations.
- Shoprite Checkers and Pick 'n Pay (in Potchefstroom) should rather target SU-LSM-groups 6 to 10.

For Shoprite Checkers and Pick 'n Pay to target their market of SU-LSM-groups 6 to 10, the stores should concentrate on:

- All age groups, with slightly more focus on the 16 to 34 year olds.
- Medium to high income categories (R2 500 to R15 000+ per month)
- People with "some high schooling" or higher education levels.
- Shoprite Checkers should focus on males in the Black and White community, whereas
- Pick 'n Pay should focus mainly on females in the White community.

As mentioned in Chapter 3 (paragraph 3.4.4), race is not a SU-LSM-determinant. However, since race was tested in the study to determine its relation to the SU-LSM-index, conclusions can be made according to which race the stores in Potchefstroom should target.

The identified SU-LSM-groups (groups 6 to 10) for Shoprite Checkers and Pick 'n Pay as target market, is a considerably large segment. However large, this segment's general household possessions or durables – as concluded from SAARF (2004) – can be identified as in Table 5-1.

Table 5-1 General household possessions for SU-LSM-groups 6 to 10

POSSESSION OR DURABLE	OWNERSHIP RATE				
	SU-LSM Groups				
	6	7	8	9	10
Television	High	High	High	High	High
Radio / Hi-fi	High	High	High	High	High
Video cassette recorder	Medium	High	High	High	High
Personal computer	Low	Low	Low	Medium	High
M-Net subscription	Low	Low	Low	Medium	Medium
Electric stove	High	High	High	High	High
Microwave	Medium	High	High	High	High
Refrigerator	High	High	High	High	High
Freezer	Low	Low	Medium	Medium	High
Washing machine	Low	Low	Medium	High	High
Vacuum cleaner / Floor polisher	Low	Medium	High	High	High
Cell phone	Medium	Medium	Medium	High	High
Car	Low	Low	Medium	High	High
Tumble dryer	Low	Low	Low	Medium	High

Source: Adapted from SAARF (2004).

As concluded from SAARF (2004), the media listed in Table 5-2 can be applied to effectively target SU-LSM-groups 6 to 10. In addition, the criteria on MGM-groups 6 to 8 were used to determine media that can reach these SU-LSM-groups effectively.

Table 5-2 Media for SU-LSM groups 6 to 10

TV	SABC 1	
	SABC 2	
	SABC 3	
	e.tv	
	M-Net	
	DStv	
RADIO	METRO FM	
	Radiosondergrense (RSG)	
	94.7 Highveld Stereo	
	5fm	
	Jacaranda 94.2fm	
MAGAZINES	Edgars Club Magazine	
	True Love	
	Bona	
	Huisgenoot	
	You	
	Sunday Times Magazine	
NEWSPAPERS	Daily	Sowetan
		The Star
		Beeld
	Weekly	Sunday Times
		City Press
		Soccer Laduma
		Rapport
		Sunday Tribune
	OUTDOOR	Billboards
		Stores
Bus shelters		
Trailers		
Taxis / Minibuses		
Trains		
Buses		
Trucks		
OTHER	Internet	
	Freesheets / Flyers	

Source: Adapted from SAARF (2004).

The abovementioned media can serve as a guideline for Shoprite Checkers and Pick 'n Pay when selecting media for their target markets. The following recommendations can therefore be made regarding media selection for Shoprite Checkers and Pick 'n Pay in Potchefstroom:

- **TV:** Advertisements can be placed on SABC 1, 2, 3 and e.tv. M-Net and DSTv can also be used, however, these stations are not suitable for local advertising. Thus meaning, that Shoprite Checkers and Pick 'n Pay in Potchefstroom will not be able to effectively reach only the local community.
- **Radio:** Since Shoprite Checkers's customers were mainly Black people, Shoprite Checkers can advertise on local "Black" radio stations, METRO FM and Kfm. Pick 'n Pay can advertise on RSG, Highveld Stereo and 5fm, since their customers were mainly White people.
- **Magazines:** Bona and True Love would be ideal magazines for Shoprite Checkers to advertise in, since these magazines are mainly directed towards Black people. Pick 'n Pay can place advertisements in magazines such as the You or Huisgenoot, which have mainly White readers.
- **Daily newspapers:** The Sowetan and Beeld newspapers can be ideal media for daily coverage.
- **Weekly newspapers:** Sunday Times, Soccer Laduma and Rapport will be good for provincial coverage. However, local newspapers (in Potchefstroom) such as the Herald and Gazette, will have the largest reach of the Potchefstroom community.
- **Outdoor:** Since Potchefstroom does not make as much use of billboards as in metropolitan areas, advertising on this type of medium might not be

as effective. However, advertisements on taxis (minibuses) might be extremely effective, especially for Shoprite Checkers that should mainly target the Black community.

- **Internet:** Internet advertising will be more successful for the higher SU-LSM-groups, which have the luxury of a personal computer and Internet. Pick 'n Pay with its White target market, can therefore consider advertising on the Internet.

- **Freesheets or flyers:** Inserts in local papers and flyers that are distributed directly to the market, can be a successful means of reaching these stores' target markets. Freesheets are usually delivered directly to the community's houses. Thus meaning that Shoprite Checkers can distribute freesheets directly to the Black community, and Pick 'n Pay to the White community.

As the study indicates, it can be noted that the strategies developed by the respective stores' headquarters do not always suit the respective store. Thus, stores should rather determine their own target markets, as applicable to the community they are located in. The stores should furthermore develop their own marketing strategies, using as much local media as possible in these strategies.

From the abovementioned discussion, it can be assumed that all the objectives of the study were achieved, and that the aim – to determine the actual target markets of the selected stores by means of the LSM-tool, and to recommend improved marketing strategies based on the MGM-tool – was accomplished.

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APPENDIX A

QUESTIONNAIRE DISTRIBUTION SCHEDULE

RETAILERS' BUSINESS HOURS

	PICK 'N PAY	SHOPRITE CHECKERS
Monday, Wednesday, Thursday and Friday	08:00 – 18:00	08:00 – 18:00
Tuesday	08:00 – 18:00	08:30 – 18:00
Saturday	09:00 – 15:00	08:00 – 17:00
Sunday	09:00 – 13:00	09:00 – 13:00

TIME SCHEDULE

DAY	WEEK 1	WEEK 2	WEEK 3
Monday	08:00 – 10:00	16:00 – 18:00	13:00 – 15:00
Tuesday	09:30 – 11:30	13:30 – 15:30	12:00 – 14:00
Wednesday	12:30 – 14:30	14:30 – 16:30	13:30 – 15:30
Thursday	09:30 – 11:30	15:00 – 17:00	14:00 – 16:00
Friday	12:00 – 14:00	16:00 – 18:00	15:00 – 17:00
Saturday	09:00 – 11:00	11:00 – 13:00	13:00 – 15:00
Sunday	09:00 – 11:00	10:00 – 12:00	11:00 – 13:00

APPENDIX B

QUESTIONNAIRE

Demografiese Inligting / Demographic Information

1) Supermark / Supermarket

Shoprite Checkers	1
Pick 'n Pay	2

2) Provinsie / Province

Wes Kaap / Western Cape	1
Noord Kaap / Northern Cape	2
Vrystaat / Free State	3
Oos Kaap / Eastern Cape	4
KwaZulu-Natal	5
Mpumalanga	6
Limpopo	7
Gauteng	8
Noordwes / North West	9

3) Geslag / Gender

Manlik / Male	1
Vroulik / Female	2

4) Populasie Groep / Population Group

Swart / Black	1
Kleurling / Coloured	2
Indiër / Indian	3
Blank / White	4
Ander / Other	5

5) Opleiding / Education

Ongeskoold / No schooling	1
Gedeeltelik laerskool / Some primary schooling	2
Laerskool / Primary schooling	3
Gedeeltelik hoërskool / Some high schooling	4
Matriek / Matric	5
Tegnikon / Technikon	6
Diploma of Sertifikaat / Diploma or Certificate	7
Universiteitsgraad / University degree	8

6) Ouderdom / Age

16 – 24 jaar / years	1
25 – 34 jaar / years	2
35 – 49 jaar / years	3
50+ jaar / years	4

7) Maandelikse Besteebare Inkomste / Monthly Disposable Income

Minder as / Less than R500	1
R500 – R899	2
R900 – R1 399	3
R1 400 – R2 499	4
R2 500 – R3 999	5
R4 000 – R6 999	6
R7 000 – R11 999	7
R12 000+	8

Lewenstandaarde / Living Standards

8) Is die volgende van toepassing op u? / Does the following apply to you?

No	KENMERK / ATTRIBUTE	JA / YES	NEE / NO
1	Lopende warm water / Hot running water		
2	Wasmasjien / Washing machine		
3	Yskas of vrieskas (kombinasie) / Fridge or freezer (combination)		
4	Bediende in huishouding / Domestic in household		
5	Meer as 1 radio in huishouding / More than 1 radio set in household		
6	Spoeltoilet binne of buite huis / Flush toilet in- or outside house		
7	Videomasjien / Video cassette recorder		
8	Motorvoertuig in huishouding / Motor vehicle in household		
9	Persoonlike rekenaar / Personal computer		
10	Selfoon in huishouding / Cellphone in household		
11	Elektriese stoof / Electric stove		
12	Tuimeldroër / Tumble dryer		
13	Huis telefoon / Home telephone		
14	Tradisionele hut / Traditional hut		
15	Stofsuier of poleerder / Vacuum cleaner or floor polisher		
16	Televisie stel / Television set		
17	Mikrogolfoond / Microwave oven		
18	M-Net of DStv subskripsie / M-Net or DStv subscription		
19	Buitestedelik (uitsluitend Wes Kaap & Gauteng) / Rural residence (excluding Western Cape & Gauteng rural)		
20	Hoëtroustel / Hi-fi		
21	Ingeboude kombuiswasbak / Built-in kitchen sink		
22	Huis sekuriteit / Home security service		
23	Kis vrieskas / Deep freezer		
24	Water / Water		
25	Naaldwerkmasjien / Sewing machine		
26	Skottelgoedwasser / Dishwasher		
27	Elektrisiteit / Electricity		
28	Woon in Gauteng / Reside in Gauteng		
29	Woon in Wes Kaap / Reside in Western Cape		

APPENDIX C

SUMMARY OF THE SU-LSM-GROUP CLASSIFICATION

SU-LSM-GROUP 1

10,2 % of adult population
Gender: Female (58%)
Age: 50 years older (29%)
Schooling: No formal schooling (22%)
Live: Rural (99%)
Dwelling: Traditional hut (67%)
Earn: R 832 per month
Radio strongest medium (80%): African Language stations
Minimal access to services: electricity (11%), water (4%)
Minimal ownership of durables, except radio sets (69%)

SU-LSM-GROUP 2

14,3% of adult population
Gender: Female (54,3%)
Age: 16 – 24 years (33%)
Schooling: Some high school (41%)
Live: Rural (88%)
Earn: R1 075 per month
Radio (88%): African Language stations
Electricity (56%), water on plot (30%)
Minimal ownership of durables, except radio sets (80%) and stoves (20%)

SU-LSM-GROUP 3

14,1% of adult population
Age: 16 – 49 years (82%)
Schooling: Some high school
Live: Rural (62%)
Earn: R1 318 per month
Radio (92%): African Language stations
TV: SABC 1 (93%)
Outdoor (53%)
Electricity (85%), water on plot (66%)
Minimal ownership of durables, except radio sets (82%) and stoves (54%)

SU-LSM-GROUP 4

14% of adult population
Age: 25 – 34 years (30%)
Schooling: Some high school or matric (21%)
Live: Rural (37%) and urban (30%)
Earn: R1 724 per month
Radio (93%): African Language stations
TV (90%): SABC 1 and SABC 2
Outdoor (56%)
Electricity (97%), water on plot (85%), flush toilet (59%)
TV sets (78%), hi-fi (52%)/ radio (85%), stove (79%), fridge (69%)

SU-LSM-GROUP 5

12,4% of adult population
Age: 16 – 34 years (55%)
Schooling: Some high school or matric (47%)
Live: Urban (44%)
Earn: R2 421 per month
Radio (94%): African Language stations
TV: SABC 1 (96%), SABC 2 (72%), SABC 3 (48%), e.tv (69%)
Weekly newspapers (49%), magazines (40%)
Outdoor
Electricity (99%), water (97%), flush toilet (85%)
Ownership of TV's (91%), hi-fi (72%) / radio set (88%), stove (72%), fridge (89%)

SU-LSM-GROUP 6

12,5% of adult population
Age: 25 – 34 years (28%)
Schooling: Up to post-matric, not university (37%)
Live: Urban (57%)
Earn: R3 897 per month
Wide range of commercial / community radio (94%)
TV (97%): All SABC stations, e.tv
Daily / weekly newspapers (66%), magazines (50%)
Cinema (7%), outdoor
Electricity, hot running water (62%), flush toilet
Ownership of a number of durables, plus cell phones (33%)

SU-LSM-GROUP 7

6,3% of adult population
Age: 25 – 49 years (53%)
Schooling: Matric and higher (41%)
Live: Urban (60%)
Earn: R5 859 per month
Wide range of commercial / community radio (93%)
TV (98%): All SABC stations, e.tv and M-Net
Daily / weekly newspapers (77%), magazines (63%)
Accessed Internet
Cinema (12%) and outdoor
Full access to services
Increased ownership of durables, plus motor vehicles (33%)

SU-LSM-GROUP 8

5,8% of adult population
Age: 35 years older (55%)
Schooling: Matric and higher
Live: Urban (95%)
Earn: R8 053 per month
Wide range of commercial / community radio (91%)
TV (98%): All SABC stations, e.tv and M-Net
Daily / weekly newspapers (81%), magazines (70%)
Accessed Internet
Cinema (17%) and outdoor
Full access to services
Full ownership of durables, including PC (22%) and satellite dish (10%)

SU-LSM-GROUP 9

5,8% of adult population
Age: 35 years older (59%)
Schooling: Matric and higher (73%)
Live: Urban
Earn: R10 732 per month
Wide range of commercial / community radio (91%)
TV (98%): SABC 2, SABC 3, M-Net and DStv
Daily / weekly newspapers (84%), magazines (77%)
Accessed Internet
Cinema (21%) and outdoor (69%)
Full access to services
Full ownership of durables, including PC (47%) and satellite dish (21%)

SU-LSM-GRGOU P 10

5,1% of adult population
Age: 35 – 49 years (35%)
Schooling: Matric and higher (43%)
Live: Urban (81%)
Earn: R15 931 per month
Wide range of commercial / community radio (90%)
TV (99%): SABC 2, SABC 3, e.tv, M-Net and DStv
Daily / weekly newspapers (87%), magazines (85%)
Accessed Internet
Cinema (29%) and outdoor
Full access to services
Full ownership of durables, including PC (80%) and satellite dish (45%)

Source: Adapted from SAARF (2004).

APPENDIX D

SAARF SU-LSM CONCLUSIONS

Only the SU-LSM-groups related to the study – SU-LSM-groups 1 to 3, and 6 to 10 – are referred to in the following concluding tables of SAARF (2004).

PROVINCE	SU-LSM-GROUPS							
	1	2	3	6	7	8	9	10
Western Cape	0	1	2	15	21	23	24	27
Northern Cape	0	2	2	2	2	2	1	1
Free State	3	4	10	7	6	5	5	5
Eastern Cape	33	21	15	11	9	6	6	5
KwaZulu-Natal	42	29	20	14	16	16	17	17
Mpumalanga	6	7	9	6	5	5	6	3
Limpopo	13	22	20	4	3	2	2	1
Gauteng	0	3	9	35	33	37	35	38
North-West	3	11	13	6	5	4	4	3
GENDER								
Male	42	46	50	51	49	51	50	50
Female	58	54	50	49	51	49	50	50
POPULATION GROUP								
Black	100	98	97	70	43	23	12	5
Coloured	0	2	3	17	21	17	13	6
Indian	0	0	0	4	8	9	9	5
White	0	0	0	9	28	51	66	84
All values are expressed as percentages								

EDUCATION	SU-LSM-GROUPS							
	1	2	3	6	7	8	9	10
No schooling	22	17	13	2	1	0	0	0
Some primary schooling	29	22	17	5	2	1	1	0
Primary schooling	11	10	9	5	4	1	1	0
Some high schooling	31	41	44	41	36	34	25	18
Matric	7	9	16	37	41	43	43	43
Technikon	0	0	0	4	7	9	12	14
Diploma / Certificate	0	1	1	4	6	7	10	15
University degree	0	0	0	2	3	5	8	10
AGE								
16 – 24 years	29	33	30	26	24	20	18	19
25 – 34 years	18	24	24	28	26	25	23	16
35 – 49 years	24	20	28	28	27	27	30	35
50 years and older	29	23	18	18	23	28	29	30
MONTHLY INCOME								
Less than R500	24	19	14	2	1	1	0	0
R500 – R899	46	39	33	7	3	1	0	0
R900 – R1 399	19	23	23	10	5	2	1	0
R1 400 – R2 499	9	13	18	17	10	4	2	0
R2 500 – R3 999	2	4	8	26	19	12	6	2
R4 000 – R6 999	0	2	3	27	34	32	24	12
R7 000 – R11 999	0	0	1	10	22	33	39	29
R12 000 or more	0	0	0	1	6	15	28	57
All values are expressed as percentages								

Source: Adapted from SAARF (2004).

Note: The values referred to in the abovementioned tables are the latest available values (2002B).