

# THE 2021 SOUTH AFRICAN TOWNSHIP MARKETING REPORT

A Multi Billion Opportunity for Marketers



**Rogerwilco**

**MarketingMix**  
CONFERENCES

**Survey54**

# Foreword

Almost half of South Africa's urban population lives in townships and informal settlements (T&IS) [1] with the number rising to above 60% in areas like Cape Town. [2] While unemployment is rife and household incomes are low, in aggregate the township market represents hundreds of billions of rands of spending power. Yet little publicly available data exists to help marketers better understand how to tailor their messaging to speak to the needs and wants of this substantial audience.

## Almost a third of township residents have a side hustle



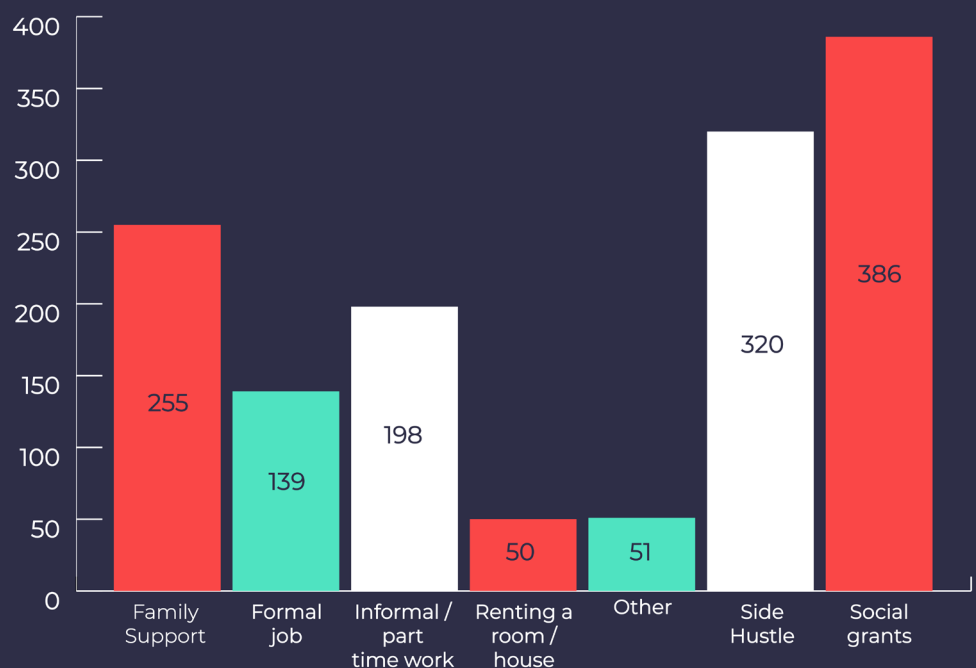
The 2021 Township Marketing Report aims to partially plug this gap. The study has been undertaken by digital agency Rogerwilco, market research company Survey54 and Marketing Mix Conferences.

To equip today's marketers with actionable insights we polled over 1 000 individuals living in townships across South Africa to examine how they support themselves financially; where - and on what - they spend their money and how this has changed over the past year; what their preferred payment methods are; what influences shopping behaviour and the types of communications they prefer to receive from marketers.

The data underscores the challenges so many South African face in their quest to eke out a living - 85% of our respondents had a monthly income of less than R3 000 while a third received social grants. But Mzansi's fighting spirit was evidenced by the 29% who run a side hustle to bolster their finances.

To provide context and interpretation to our research, we invited a panel of industry experts to comment on the findings and add insights from their own first hand experience of marketing to this most diverse of audiences.

## Source of income



## References

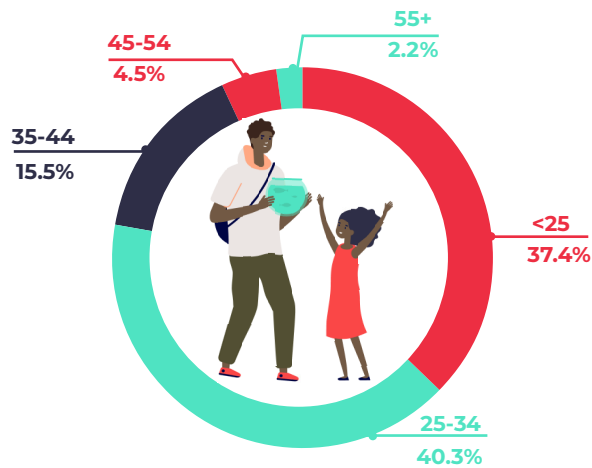
1. [The Economics of South African Townships](#)
2. [Township](#)

# About the research

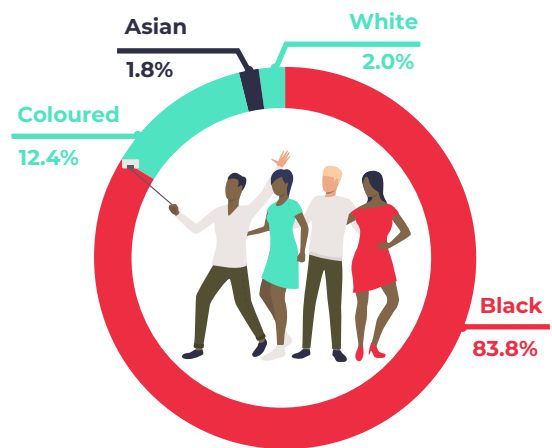
The 29 question survey was distributed to Survey54's panel of South Africans through its mobile and web apps and promoted on social media platforms during the second quarter of 2021.

In total 1 071 respondents completed the questionnaire. The sample's demographics are:

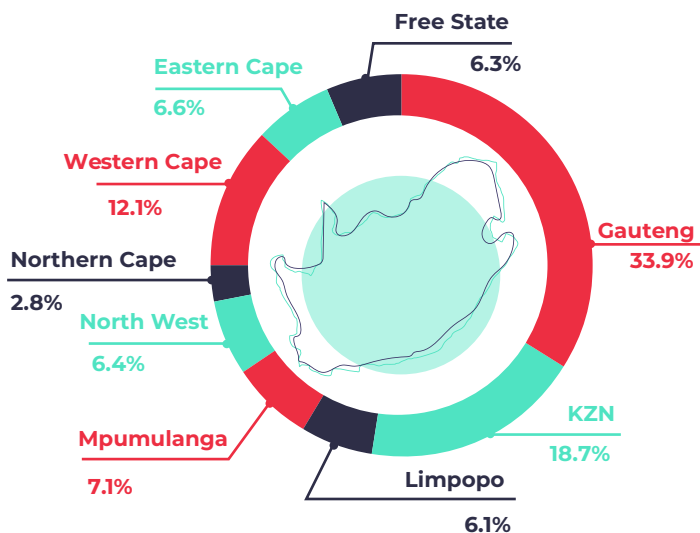
## AGE



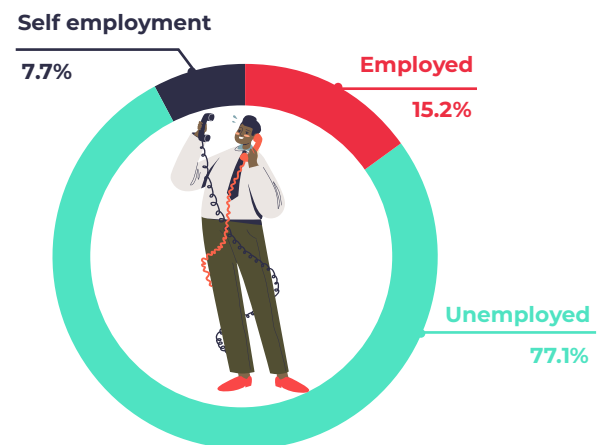
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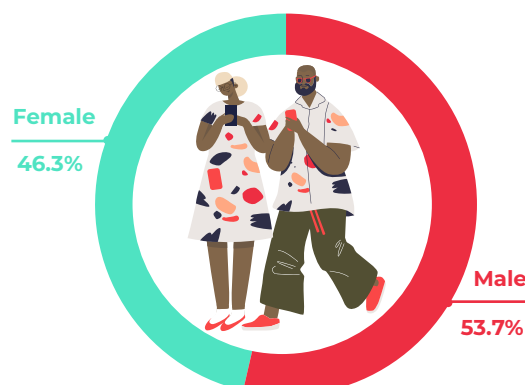
## PROVINCE



## EMPLOYMENT



## GENDER



# The expert panel

The study's key findings have been supported by qualitative interviews with the following expert commentators.



## **Bulelani Balabala** - Founder - Township Entrepreneurs Alliance

Bulelani Balabala is an awarded entrepreneur and business speaker. He has earned the name Township entrepreneur developer & youth ambassador because of the work he does through the TEA initiative. He is CEO of IAF brands, a township based Branding & Social Media marketing company and is the founder of Township Entrepreneurs Alliance (TEA) an initiative aimed at developing entrepreneurs in the township and rural areas - TEA has directly impacted over 48000+ small businesses in the formal and informal sector. He lives by the simple motto #GetThingsDone.



## **Stephan Eyeson** - CEO - Survey54

Stephan is the co-founder of Survey54, a consumer intelligence platform aimed at Africa and emerging markets. Stephan started the business after seeing the lack of consumer data on the continent and how this was affecting business decisions being made by large and small companies. Prior to Survey 54, Stephan worked in business development for SurveyMonkey and as a product lead for Uber. He has a BA degree in Theology and an MSc in Innovation and Management from Loughborough University in the UK.



## **Jack Hlongwane** - Business Development Manager - Kantar

A research practitioner for over a decade, Jack's qualitative and quantitative research background spans across beverages, banking, telecommunications, FMCG, insurance, gambling and automotive, making him an expert on these industries, but his true passion area is helping brands find new opportunities for growth in mass markets, while drilling down on solutions to effectively target these emerging consumers.



## **Abdullahi Ibrahim** - National Treasurer - Somali Community Board of SA

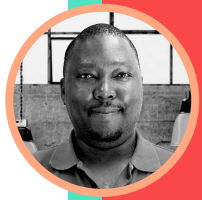
Managing Director of Hornafo Marketing, Abdullahi has 18 years experience in supporting the informal retail sector. In his role with the Somali Community Board of SA, he represents some 100 000 informal sector business owners in South Africa, ranging from spaza stores to much larger distributors - a segment of the South African economy worth about R120bn a year.



## **Brian Makwaiba** - CEO - Vuleka

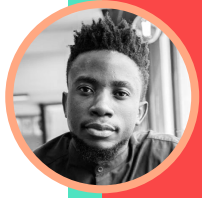
Brian is CEO and co-founder of the Vuleka Platform, an e-commerce and fintech platform structured to support the entire trading ecosystem within the informal sector. With extensive experience in innovation and brand building he was named as one of The Top 50 Youth Entrepreneurs in South Africa 2015, innovator of the year in 2017 as well as Standard Bank Rising Star 2018 and was one of the top 20 business heroes in Jack Ma's Africa NetPreneur prize 2019.





## **Thabani Maluleka** - Business Development Director - Rogerwilco

With over two decades of sales & marketing experience in both the ICT and digital marketing space, Thabani leads Rogerwilco's business development function. In a career that has seen him work for some of the country's largest advertising networks, he's guided both brands and agencies on marketing strategy and customer acquisition.



## **Kasirayi Mashiri** - Brand Strategist - Rogerwilco

Kasirayi is an experienced brand strategist with a demonstrated history of working in the creative industry. Skilled in digital strategy, integrated marketing and advertising he has a bachelor's degree in Brand Building Management. He's worked for some of South Africa's leading agencies, guiding the marketing strategy for a range of brands in the automotive, FMCG and retail sectors.



## **Terry Murphy** - Publisher - Marketing Mix

Terry Murphy is the Publisher of Marketing Mix, and the MD Marketing Mix Conferences which hosts a number of events each year on township marketing. Terry was former President of the Institute of Marketing Management (IMMSA), past Chairman of the Specialist Press Association, former Director of POPAI SA, former GM of the Mobile Marketing Association SA and was co-founder of Ecommerce Forum Africa (EFA).



## **Niq Mhlongo**

Niq Mhlongo is a Sowetan-born writer and a travel journalist who graduated from Wits University with a BA degree (African Literature and Political Studies) in 1997. He has written three novels – Dog Eat Dog (2004), After Tears (2007) and Way Back Home (2013) – and a collection of short stories, Affluenza (2016), and Soweto, Under the Apricot Tree (2018). In 2019 he edited a bestselling collection of essays called Black Tax, Burden or Ubuntu. His novel Dog Eat Dog won the Spanish Literary Award called Mar Der Letras Intenecionale in 2006. His collection of short stories, Soweto Under The Apricot Tree won the Herman Charles Bosman Literary prize for English fiction and the Nadine Gordimer short story award in 2019.



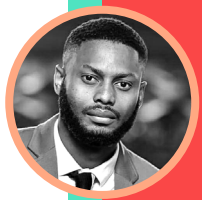
## **Thomas Pays** - Founder and CEO - Ozow

French-born, Thomas Pays has become one of South Africa's most influential techpreneurs, having built and exited a gaming business, an online auction house and a digital marketing agency before founding Ozow in 2014. A disruptive fintech company with an automated electronic funds transfer (EFT) payment gateway, Ozow services millions of transacting consumers and merchants in South Africa including household names such as Takealot, Uber, FlySafair, MTN, Vodacom, Makro and Netflorist.



## **Semona Pillay** - Marketing Lecturer - University of Johannesburg

Semona Pillay is a Lecturer in Marketing at the University of Johannesburg. She is currently studying towards her PhD in Marketing Management. Her research topic is in the field of online consumer decision-making. She has various publications in journal articles and conference proceedings. Her research areas include digital marketing, consumer behaviour and retailing.



## **Thabo Ramushu** - Digital & Media Manager - Colgate-Palmolive

Born digital, Thabo leads the digital marketing function at Colgate-Palmolive. He has extensive experience in digital marketing, having worked both as a client lead across different digital creative agencies with specialization in the FMCG vertical and having headed the digital portfolio across 23 African countries for one of the world's largest consumer brands companies.



## **Nkululeko Mvulana** - Director Business Development - Kazang Connect

After starting a career in advertising with the FCB Group, Nkululeko joined Vodacom in 2000 as Brand Manager. He was soon seconded to the newly established Vodacom Congo as Executive Head of Marketing. On his return from the Congo assignment, Nkululeko was appointed Marketing and Sales Director and sat on the board of Vodacom Lesotho before founding Sandulela Technology in 2003. In 2017, Sandulela was acquired by Kazang. Nkululeko remains the CEO of Sandulela and is on the executive committee of Kazang Connect.



## **Zumi Njongwe** - Marketing Director East & Southern Africa - Nestlé

In her role heading the marketing function for Nestlé's ESAR region, Zumi is responsible for building some of the world's best known retail brands including NESCAFÉ® and KITKAT®. Prior to joining the FMCG giant she spent 12 years working for Diageo.



# 1. Where we Pay, How we Pay

Despite living in the golden age of cash alternatives, our respondents placed cash as their number one method of payment. Although almost three quarters (73%) agreed that mobile payments are easy to use they ranked fourth in terms of preference. It looks like the use of mobile payments isn't set to grow anytime soon either, with two thirds of our respondents admitting that they're not intending on using it more than they already are.

What makes the data interesting is that there is no clear line between credit and cash on-hand. Respondents ranked cards second and store accounts third. It is clear that payment methods have little to do with budgets and debt aversion, and more to do with how and where people are shopping.

## When you shop, which payment method do you use? (RANKING)



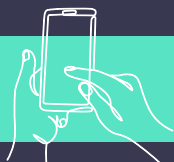
Cash - Rank 1

Card - Rank 2



Store Accounts - Rank 3

Mobile Payments - Rank 4



Layby - Rank 5

EFT - Rank 6



Barter - Rank 7

### The cash preference

While 80% of South Africans have a bank account, only 24% will conduct more than three transactions per month [1]. Most South Africans will withdraw their cash as soon as they're paid. Unlike Japan, where 80% of the population prefer using cash because there is ritual and custom attached to it, South Africans prefer cash because it is largely untraceable.

The culprits for this may be the banks themselves. While banking fees are fairly reasonable (banks charge between R6 and R9 per R1000 withdrawal) [2], there is a widely held belief that banks overcharge on their transaction costs. Paying in cash is therefore perceived better than giving your money away by electronic means.

Then there is the fear that formal banking will make funds visible to the taxman - an unappealing eventuality for many engaged in informal business activities.

There is also a perception that banks offer little protection against scams - it seems that financial education programmes have benefited middle income earners but remain misunderstood by lower income households.



**“Although only 7% of consumers pay with cards, around a third of traders use cards or e-wallets when buying from suppliers - largely due to the dangers of carrying cash.”**

- Abdullahi Ibrahim

Abdullahi Ibrahim, treasurer of the Somali Community Board of South Africa, whose organisation represents the interests of many spazas and informal traders maintains that a majority of his members would prefer if their customers paid with cards or e-wallets.

“Although only 7% of consumers pay with cards, around a third of traders use cards or e-wallets when buying from suppliers - largely due to the dangers of carrying cash.”

This view is echoed by Kazang Connect's Nkululeko Mvulana whose business offers micro payments and VAS services and has seen a growing takeup of electronic transactions. “The success of these services is symbiotic with the health of informal trade. Spazas are an essential cog in the wheel of our township economy and while cash remains the undisputed transactional tool, e-payments benefit both the consumer and trader creating a safer and more efficient exchange.”

Ibrahim maintains that the banks need to step up their financial education programmes if residents are to reduce their dependence on cash: “If the consumer wants to give the trader cash, they can't say no. Perceptions will only change with formal training and education initiatives - and these must be driven by the banks.”

**“The average South African is earning 70% less than our US counterparts, but we're paying the same price for a pair of jeans.”**



#### Store accounts

Ranked third, store accounts mean only one thing, clothing. It is a well known fact that most South Africans buy most of their clothes on credit. The reality is much worse, store accounts are the number one source of credit purchasing in the country [3].

The biggest reason? Clothing is incredibly expensive in South Africa. Let's do a comparison: A pair of Levi jeans costs around \$55 in the US. In South Africa, the same pair of jeans will cost roughly R800 (\$55). Zero difference. Now, we've established that our township respondents (see section 5 of this report) are not interested in counterfeit items, so they're going to want 100% original Levi jeans.

The kicker comes in when we compare average salaries. In the USA, on average, you'll earn \$40,000 a year (R583 860). In South Africa the average salary is R156 000 a year.

The average South African is earning 70% less than our US counterparts, but we're paying the same price for a pair of jeans.

With this in mind, many South Africans have no choice but to purchase clothes on credit.

#### Mobile payments and Layby

Mobile payments and Layby are neck-on-neck at position four and five respectively. Layby, a payment method which has been around for decades, is currently enjoying a resurgence in popularity thanks to digital implementations that are updating the payment method.

Why are mobile payments lagging behind and competing with such an old way of doing things? Well, laybys are trusted, they're almost part of South African heritage. Mobile payments? The tools available for mobile payments work almost exclusively on smartphones. While South Africa's mobile penetration sits at around 95% [4], overall smartphone penetration only sits at 40% [5].

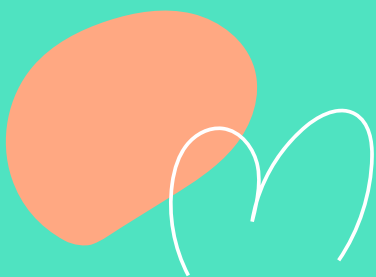






## Insights and Actionable Outcomes

- ◎ Township dwellers are agile when it comes to the tools they use to pay for products and services. Cash is the preference, but other payment methods are not off the table.
- ◎ Banks must address the need for financial education that puts the lower income consumer first.
- ◎ Clothing is a necessity and South Africans are cornered into debt by their need for quality products (and their aversion to pirated goods).



### References

1. [In South Africa cash is still king for the country's biggest lenders](#)
2. [Banking Fees Guide for 2020/2021](#)
3. [Clothes still king of credit purchasing for SA consumers](#)
4. [Mobile Penetration in South Africa](#)
5. [Smartphone penetration rate as share of the population in South Africa from 2015 to 2023\\*](#)
6. [AN INCLUSIVE FINANCIAL SECTOR FOR ALL](#)

Within the informal economy in South Africa, many consumers and businesses are often locked out of using online services and alternative payment methods – generally due to a lack of access to infrastructure or prohibitively high data costs. However, a World Bank diagnostic into the market conduct of South Africa's retail banks, carried out on behalf of the National Treasury, noted that they are trying to promote increased usage of digital transaction streams [6] .

With the Covid-19 pandemic accelerating digital or cashless transactions, fintechs like Ozow are also helping to reduce barriers for low-income earners by developing innovative mobile banking and payments solutions that provide simplicity, security and also zero-rate mobile data costs for consumers.

According to Thomas Pays, CEO and co-founder of Ozow, improving digital and financial inclusion starts with ensuring that convenient and safer forms of electronic payment methods are created and made accessible – particularly to underserved and unbanked markets. "Achieving this goal is centered around the principle of creating alternative, real-world payment solutions that help to support the banks efforts to improve access."

**“We need real world payment solutions that help support the banks efforts to improve access”**



- Thomas Pays

## 2. Cutting out Food

Food price inflation, coupled to financial hardship as a consequence of the Covid-19 pandemic, impacted many T&S inhabitants' ability to purchase everyday groceries.

A 2021 report by NIDS-CRAM [1] found that people living in informal housing on the fringes of urban centres suffered significant financial distress with half losing their main source of income and two thirds running out of money for food.

While household incomes among our respondents were buttressed by government grants (28% listed social grants as a key source of money), the impact of reduced spending power was evidenced in the feedback we received.

When asked which food products they had been purchasing less of than a year earlier, 56% cited the core staple of most South African dinner tables - maize meal or pap. While Covid-19 was almost certainly the key contributor to this reduction, inflation would likely have played a part - a report from the Pietermaritzburg Economic Justice & Dignity Group (PEJDG) [2] found that between September 2020 and March 2021 the price of maize meal rose by 13%. This left many of our sample caught in the squeeze of reduced household income and rising food prices.

**“Food security is a universal challenge in low to mid income households”**

- Stephan Eyeson



“This closely tracks the findings of surveys we’ve run in East Africa on behalf of companies in the retail and FMCG space and demonstrates that food security is a universal challenge in low to mid income households” says Survey54’s Stephan Eyeson.

Half of our sample reported buying less bread than they had a year earlier (despite the PEJDG study pointing to inflation being in the 3%-4% range).

This calls into question a widely held assumption that the pap and bread categories are interchangeable with consumers switching between the two based on price.

Despite beef prices climbing at a similar level to maize meal, meat remained a key purchase with just 36% of respondents purchasing it less frequently. By contrast chicken and vegetables, which saw lower levels of inflationary pressure (around 4%) saw 40% and 50% reductions in purchase behaviour respectively.

Fruit (a 35% decline) and dairy (a 32% fall) were less impacted food groups while fast food also saw a limited contraction (38%).



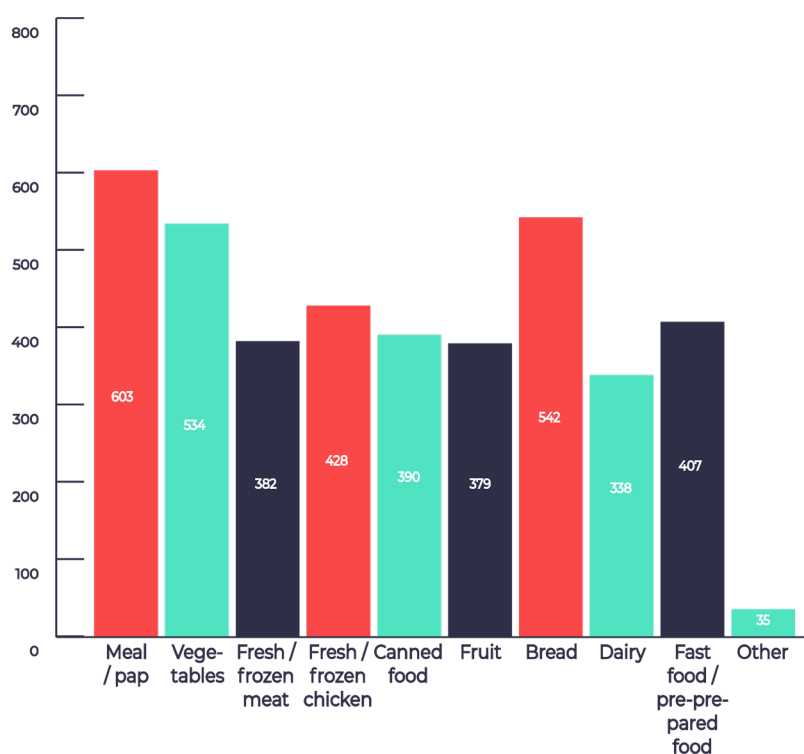


At first glance, this latter point may seem counterintuitive as fast food is seen as a luxury in some tiers of society. However, in a township context, households consume a significant amount of ready made foods rather than buying fresh food and cooking it at home. This reflects the lived reality of so many people where long work / travel hours for those fortunate to have a job coupled to restricted cooking options and the relatively low cost of prepared street food make it a viable option. Further supporting this is that among higher income respondents (earning R16 000 a month or more) 54% cut back their fast food consumption - the inference is that higher earners are more likely to eat in quick service restaurants and thus saw a sharper decline in fast food expenditure.

## Insights and Actionable Outcomes

- ⦿ A combination of Covid and inflation have had a profound impact on food security in townships.
- ⦿ Food category switching is less pronounced among lower income households
- ⦿ Perceived luxury categories such as fast food are actually viewed as staples by poorer households

### Which food items have you bought less of over the last 6 months?



## References

1. [REPORTS & PUBLICATIONS](#)
2. [Household Affordability Index](#)



### 3. Supermarket Dominance – The Fall of the Spaza Shop

The spaza shop has been a feature of townships since the mid 1970s and they've become popular for a variety of reasons. Spaza shops are often part of the homestead, a side hustle that can be opened with a relatively small investment. Spaza shops account for around 54% of all micro-enterprises in townships with around 100,000 shops countrywide [1].

Despite the convenience offered by spaza shops, 47% of our respondents claim that they are spending more in supermarkets today than they did six months ago. What has caused the attitude shift? There is merit in saying that COVID-19 impacted many businesses and spazas are just another victim, but is there perhaps something more at play here?

Township Entrepreneurs Alliance founder Bulelani Balabala maintains that the arrival of malls in the township has destroyed a lot of small players and believes that the space should have been regulated. "This would have protected the market and let the malls know that in order to participate within this market they should have opened up spaces within the malls for these outlets to operate thus fostering growth. I also think we need to have a collective co-operative view when we approach the spaza shop market as these are localized service providers who could benefit more from group buying and creating a strong network."



#### Loyalty

An assumption that can be made is that loyalty programmes would be a big drawcard. It stands to reason that any tool that provides savings on household items will deliver sales and repeat business. However, with the exception of one or two notable programmes, South Africa has seen a decline in loyalty programme usage [2] and it is predicted that the decline will continue in the coming years.

While the reason is difficult to pin down, there are some international best practice loyalty programme design guidelines that seem to have been ignored. One of the biggest is that many loyalty programmes treat all customers equally. In most cases, more loyalty and more purchases do not provide better benefits. You'll be earning the same points as everyone else. 15% of consumers say that loyalty programmes are too hard to understand, while 8% say they simply could not be bothered [3]. Three quarters of South Africans already use loyalty programmes [3]. Moving to larger grocery stores for the sake of a loyalty programme may not be a compelling enough reason to make the switch. Add to this the reality that while loyalty programmes may capture enough data to predict an individual's purchase behaviour, they don't build the type of relationship with their customers that a local corner store owner does.

As Kantar's Jack Hlongwane points out, loyalty can just as easily be fostered by understanding a customer's plight. "If a regular customer is a few cents short, a Spaza owner will more than likely offer the customer credit. That's something you'll never find in big retail. And it builds a level of loyalty no formal programme can match."

**"If a regular customer is a few cents short, a Spaza owner will more than likely offer the customer credit. That's something you'll never find in big retail."**



- Jack Hlongwane



## Price

A real factor is price. Abdullahi Ibrahim, treasurer of the Somali Community Board of South Africa notes that unlike supermarkets who buy direct from the FMCG brands, most spaza shops purchase their stock from wholesale retailers and add their markup. The result, goods that are more expensive and a shop that relies on convenience as its transaction driver.

In theory, price should be the death knell, but it hasn't been. Hlongwane reminds us people often weigh up three very important currencies when choosing where to buy: time, energy and price.

"A product may be cheaper in a supermarket, but if it'll take the shopper an hour to get there and cost R20 in taxi fares, it's likely to be more convenient - and perhaps no more expensive - for them to go to the local spaza. So the time it takes to get somewhere and the amount of energy people are willing to expend can often be traded off against price"

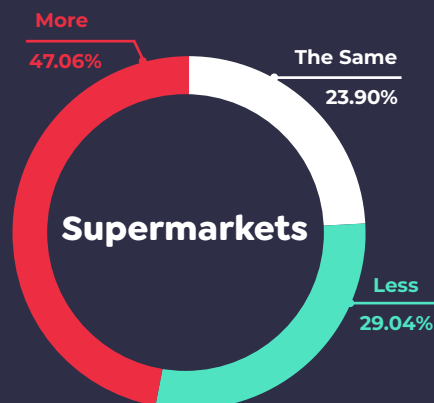
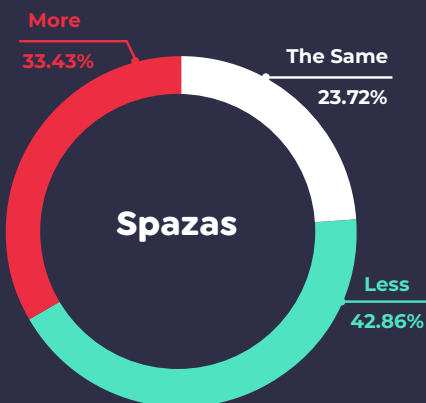
Ibrahim agrees, pointing out that if the consumer's average spend is R200, they'll likely be far better off in both time and money by paying slightly more to shop at the spaza than they would be forfeiting 10% of their budget in travel costs.

## Stock

Another big factor is that of expired stock [4]. Expired stock has always been a problem but lockdown, economic uncertainty and price led to less foot traffic. Less foot traffic meant less stock bought. Stock sat on shelves, expired, and if it was sold, it left a sour taste (both literally and figuratively) in the consumers mouth.

COVID-19 did not create new issues around spaza shops, it simply exacerbated the existing ones. Big retail appears to have won this round, but at what cost? Spaza shops contribute 5.2% to SA's GDP, employing 2.6 million people [5].

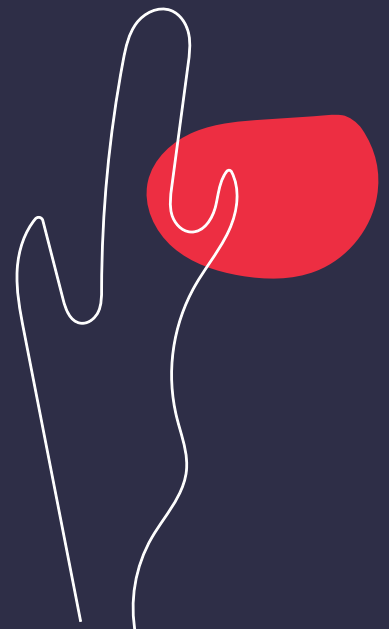
## Are you spending more, less or the same?



**The time it takes to get somewhere and the amount of energy people are willing to expend can often be traded off against price."**



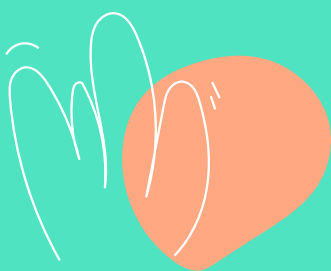
- Jack Hlongwane





## Insights and Actionable Outcomes

- © Spaza shops are an integral part of South Africa's economy, but they remain unregulated and this has contributed to their impending failure
- © Price, convenience, and quality are major driving factors for township dwellers. There is a willingness to sacrifice convenience if the price is right
- © Loyalty programmes could be a bigger pull for township dwellers, especially those that are simply structured and provide benefits that offset convenience (for example, assisting with the commute to store)



### References

1. [Hotly contested township markets](#)
2. [Loyalty programmes are gradually falling out of favour in SA](#)
3. [The 2019/20 South African Loyalty Landscape](#)
4. [Hefty fines for some South Coast spaza shops found flouting lockdown laws](#)
5. [Spaza shops are overlooked despite huge contribution to economy](#)

While the failure of the spaza shop could be catastrophic, Ibrahim believes that spazas are fighting back: "Over the last few years we've seen the supermarkets move into townships, but the Spazas are becoming more competitive, dropping their margins and keeping a close eye on supermarket price points. Often we find the supermarkets discount around payday, so while they may take a large share of salaried workers' spend, they up their prices at other times ensuring the spaza remains both competitive and convenient for most of the month."

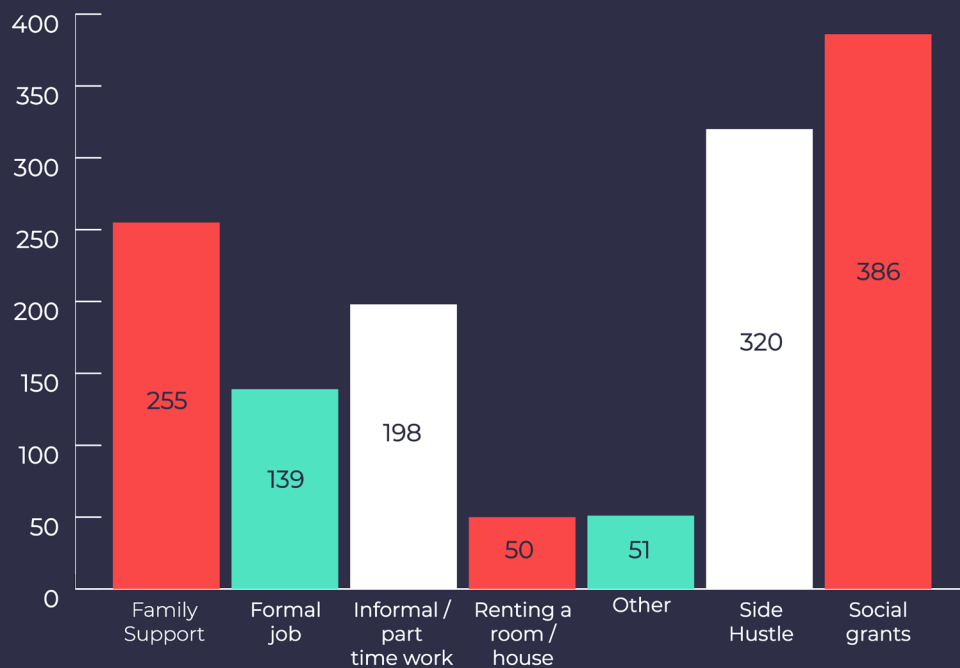


## 4. Family Support, the Side Hustle, and the Blesser

For the longest time South African media has been painting a grim picture of the average South African's financial situation. Blessers, payday loans, and black tax are just a few components of the troubled financial ecosystem that have to be navigated. How true are these stories and how exactly does everything fit together?

Niq Mhlongo maintains that black tax has its positives and negatives: "On the one side it can strengthen the family aspect of the community - as black people we're a society of big families who support each other. However it can create a culture of overreliance and on occasion be used to support a habit - like an uncle who is drinking or a mother who gambles."

Source of income



**There is just no money for saving, let alone retirement saving."**



- Thabani Maluleka

### Black Tax

South African investment house 10X has said that only 6% of South Africans have a thought through retirement plan, with as much as 50% having none at all [1]. The result is that there is a massive reliance on the relatively small government grants allotted to retirees.

Thabani Maluleka, business development director at Rogerwilco, notes that in rural KZN, home to his extended family, many older members of the community rely on their children in order to touch sides month-to-month.

"This constitutes the framework for what is known as black tax. South Africans with retired parents have to apportion a part of their salary to supporting their parents. It is accepted as a cultural norm, and in the current economic climate, it is a necessity. There is just no money for saving, let alone retirement saving."

Mhlogo adds: "Black tax can do what the government should be doing - eradicate poverty ... when it comes to tax, I should be getting a rebate as I'm contributing to the society I come from."

The picture is a little more nuanced. We noticed that there was an overwhelming trend to source income from family (23%), regardless of age group. While it makes sense for the much younger generation (teens) and the much older generation (retirees) to rely on family support, the picture did not change, regardless of age group. The reality is far less cyclical than we believe.

## Unemployment a key driver

South Africa's unemployment rate shot up to a record-breaking 32.5% during COVID-19 and appears to be stuck at that level [2] - a number which is alarmingly considered normal. We are in the bottom 20 countries [3] in the world and it appears we are set to keep moving down the list.

"Black tax is not about keeping aged parents afloat, it goes beyond that. Family members who have been unemployed for long periods of time are being supported by employed family members." notes Maluleka.

The knock-on effects are great. With little to no expendable income, employed South Africans are unable to save, invest, or grow their wealth. They are unable to prepare for retirement, and so the problems perpetuate.

Many of the larger financial institutions have put in efforts to create a savings culture, attempting to put across the idea that even the smallest amount saved is a step in the right direction. The reality is that 80% of South Africans use payday loans to help ends meet and the R20 to put towards saving simply does not exist [4].

**"80% of South Africans use payday loans to help ends meet"**



- Thabani Maluleka

## Side hustling

South Africans are resourceful and the side-hustle culture has grown exponentially over the last 20 years. Looking at the unemployment rate and the family pressures a young professional has to deal with, it is no wonder that side hustles have become so common. A third of our surveyants have a 'side hustle'.

Our research challenges the notion that a side hustle is exclusively for the employed. The term has become synonymous with any activity that is entrepreneurial in nature.

Marketing Mix publisher Terry Murphy points to the fact that township middle income earners are on the rise both in numbers and income: "As an example of their changing shopping lifestyles, there has been a tremendous increase in home delivery services from within the townships. While most lower income blacks have multiple income sources, for example from backyarders where cash is generated by renting out excess space, black tax remains a critical support for many families."

**"Black tax remains a critical support for many families."**



- Terry Murphy

Mhlongo notes that around 60% of his friends have a side gig: "Instead of waiting for jobs, I sell my books from the boot of the car and it's become very successful. I use social media to advertise the books and then either drive around Soweto or use couriers to deliver them."

## The Blesser Fallacy

Despite the idea being popularized by several news outlets, the blesser culture is far smaller than we anticipated. Only 4% of those surveyed claimed that they were receiving an additional income to purchase luxuries from their blessers. Where it does become significant is that internationally, Vancouver has the highest rate of gold diggers, at around 1.5% [5] of the population. While gold diggers and blessees are not exactly the same, the point of interest here is that despite huge economic pressures, the culture of 'blessing' has remained relatively small and comparable with similar cultures in a more prosperous setting.







## Insights and Actionable Outcomes

- ① Black tax is a far more nuanced situation and is a chief contributor to the savings and retirement crisis that South Africa faces
- ① There is often a misunderstanding that township dwelling South Africans do not have a savings culture, when in fact, they do not have savings resources
- ① The blesser culture is more of a sensationalist media story than an actual societal ill
- ① Any kind of communication to target audiences needs to stay clear of stereotypes, tropes, clichés, and commonly accepted wisdom. Instead, self-sourced or data from reputable sources must form the basis of messaging
- ① Do not underestimate the cohesiveness of the township family, you are not speaking to a single consumer with a single demographic, you are marketing to a bundled demographic with a range of ages, incomes, and experiences



## References

1. [SA has a retirement savings crisis](#)
2. [SA unemployment rate slightly up, hits new record high](#)
3. [The 20 countries with the highest unemployment rate in 2017](#)
4. [Here's how many South African rely on loans to make it to the end of the month](#)
5. [These Are The Ten Cities With The Most Gold Diggers In America, So Watch Your Wallets, Bros](#)



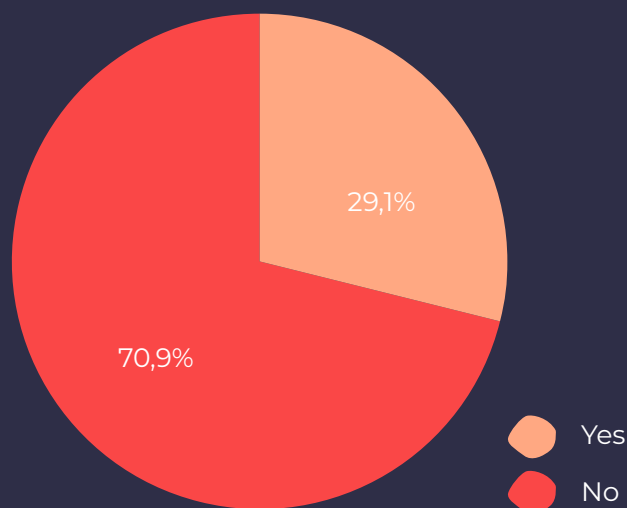
## 5. Real, Fake or Fake Fake

Despite depressed household income, our respondents were largely unwilling to compromise on the quality of their purchases. Fewer than a third (29.1%) stated they were willing to knowingly buy counterfeit goods which, according to a 2020 study, is a market worth approximately R362 billion [1].

While South African consumers may be reluctant to admit to buying fakes, global data [2] suggests that up to 84% of counterfeit purchases are made unwittingly. Unsurprisingly, price is generally the key motivator for the intentional purchase of illegal goods but the scarcity of genuine products can also play a role.

Cutting our survey data by province showed that those living in the Northern Cape were most likely to buy illegitimate products (40%), followed closely by the Western Cape (37.7%). KZN residents were the least tempted by fakes with less than a quarter (24.5%) willing to spend money on counterfeits.

### Are you willing to buy counterfeit goods?



Interestingly, higher earners were even less inclined to purchase fake products with only 19% of those with a monthly income above R11 000 acknowledging that they would buy counterfeit goods. This is counter to the hypothesis that those with a mid level of disposable income who have progressed outside of the daily struggle to put food on the table but don't have the budgets for high end genuine purchases are more likely to be tempted to buy knock offs.

Globally, the OECD reports that counterfeit and pirated goods amounted to 3.3% [3] of world trade in 2016 and mostly impacted categories like footwear, cosmetics and luxury apparel.

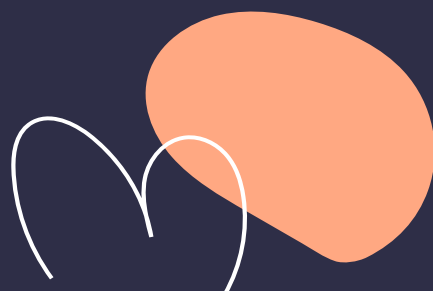
In a local context where 61% of our interviewees expected to see counterfeits being sold on street stalls, it is interesting that so few admitted to buying them.

Semona Pillay, lecturer in Marketing Management at The University of Johannesburg isn't surprised: "South African consumers are aspirational, meaning that they have a desire to own the best, and would definitely not want to purchase counterfeit brands that denote poorer quality and have a social stigma associated with them"

However, she confirms that in township communities the majority of products and brands are counterfeit. "This social stigma associated with counterfeit products is common among township communities because only a few consumers admitted to purchasing counterfeit products. This can be attributed to the fact that consumers shape their social identity on the products and brands they use and if they are found to own counterfeit products and brands, then they feel as if their social identity is compromised. Some even experience shame and embarrassment."

Pillay continues: "Consumers are exposed to luxury products through social media and television. Yet low income earners find it difficult to put food on the table, let alone buy luxury brands so we can safely assume that many consumers are purchasing counterfeit products and do not want to admit to it."

For brands concerned about the economic impact of counterfeits, it is evident that further work needs to be done at both an enforcement / seizure level and at an educational one. But the key driver in reducing the size of the counterfeit market will be to introduce more cost effective product extensions without diluting brand image.







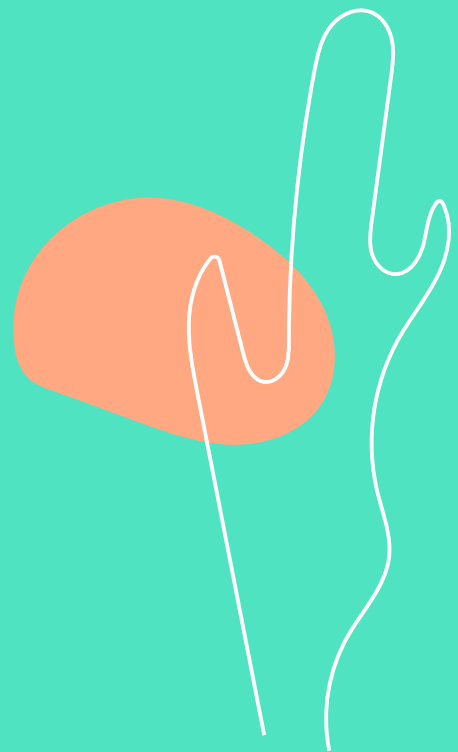
**“We can safely assume that many consumers are purchasing counterfeit products and do not want to admit to it.”**

- Semona Pillay



## Insights and Actionable Outcomes

- Despite a growing global trade in counterfeit goods, South Africans say they're reluctant to purchase them. Given the ready availability of fake products, it's likely that fear of societal judgement has created a culture of denial.



### References

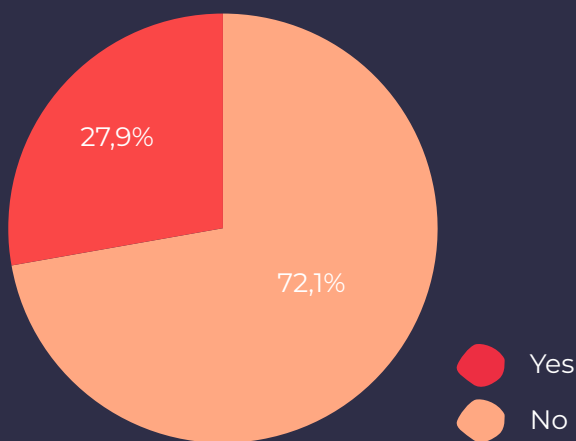
- [Stemming the sportswear counterfeit tide: Emerging market evidence of rational and normative drivers](#)
- [Research provides insight into why consumers buy fakes, and what may prevent them from doing so](#)
- [Executive summary](#)

## 6. Ecommerce Reaches the Township

The pandemic-fueled ecommerce boom applies just as much to the township as it does to other areas of South Africa.

Contrary to popular assumptions that online shopping is the preserve of high LSM groups, a full 28% of our respondents stated that they have shopped online. While this tracks slightly behind other studies suggesting that up to a third of the entire South African population has made ecommerce purchases [1] it demonstrates the extent to which the digital revolution has both transformed and empowered all sectors of society.

### Have you ever shopped online?



With so few township residents willing to use cards or bank accounts for transactions (see section 1 of this report), Vuleka's Brian Makwaiba believes that the growing adoption of cash-on-delivery payment options has made a significant contribution to ecommerce growth.

Kantar's Hlongwane believes that one of the greatest obstacles to further expanding township ecommerce is education. "Ask people what a CVV code is and you'll likely be met with a look of incomprehension. If banks and merchants invested more energy in simplifying the terminology around payments, we'd likely see an explosion in ecommerce activity."

He also believes we need to relook our definition of ecommerce while questioning some of our assumptions around barriers to adoption such as trust.

"In its widest sense you could argue that purchasing airtime - be it via USSD or a till point voucher - is ecommerce as a substantial part of the transaction happens online."

**"If banks and merchants invested more energy in simplifying the terminology around payments, we'd likely see an explosion in ecommerce activity."**



- Jack Hlongwane

"And people's willingness to enter a mysterious code into their phone which then flies into the ether before magically adding airtime or data demonstrates a significant level of trust in online processes. Reminding people of this could go a long way to assuaging fears about larger credit card-based ecommerce purchases."

Unsurprisingly, a substantial 84% of our ecommerce converts said Covid-19 had encouraged them to transact online with nearly 60% intending to increase their online shopping spend in the coming months.

Ozow's Thomas Pays maintains that the most effective way of reducing people's reliance on cash in informal markets is for ecommerce stores to step up the integration of simple, affordable and secure instant payment solutions. "This is something that we've been focusing on for a long time and we were pleased to see the South African Reserve Bank (SARB) encouraging this in its recent Financial Inclusion Policy paper published in November 2020."

Aside from the convenience of ecommerce, a driving motivation for 79% to shop online is the availability of competitive pricing. However obstacles exist with delivery and returns.

Despite the stellar growth of township ecommerce fulfilment specialists like Vuleka and Yebo Fresh and an ever growing footprint of collection drop boxes, a third claim to have experienced problems with delivery.

Makwaiba acknowledges this: "As well as challenges with delays, there are issues around safety when delivering, risks of the delivery vehicles being robbed of their stock."





**“As well as challenges with delays, there are issues around safety when delivering, risks of the delivery vehicles being robbed of their stock.”**



- Brian Makwaiba

He also maintains trust is a huge issue in townships. When he first launched Vuleka he saw the need to have a presence within the township where people could physically come to verify that the company was legitimate: “The further growth of ecommerce will be reliant on consumer education. Although we have an e-commerce fulfilment platform we continue to use on the ground agents that live within these areas to build trust and we also accept orders through WhatsApp which is a platform that the consumer is better used to.”

The greatest challenge to ecommerce, however, is the perception held by 60% that they may not be able to return goods that are not satisfactory. This figure is far greater than in comparative studies among non township audiences and likely speaks to the infrastructure challenges that remain in providing effective delivery and collection services in townships.

While Thabo Ramushu from Colgate-Palmolive has yet to see a model that has the potential to scale especially when it comes to efficiently servicing townships, he's optimistic that a solution is on the horizon: “If the mushrooming of dark stores around major townships is anything to go by, then I would expect the current fulfillment and return challenges faced by people will soon be alleviated.”

In keeping with countrywide trends [1] the survey found that clothing and electronics were the most popular online buys with food being bought regularly by a quarter of respondents.

**“If the mushrooming of dark stores around major townships is anything to go by, then I would expect the current fulfillment and return challenges faced by people will soon be alleviated.”**



- Thabo Ramushu

## Insights and Actionable Outcomes

- ① Ecommerce is alive and well in the township marketplace
- ② Township buying behaviour reflects the ecommerce category choices seen elsewhere in South Africa
- ③ E-tailers must address concerns around safety, trust, returns and refunds policies

### References

1. [Increased online purchases present new opportunities for digital commerce players](#)
2. [Worldwide mobile data pricing 2021](#)

# 7. Marketing Impact

Colgate-Palmolive's Thabo Ramushu acknowledges the daunting challenge that faces so many brands trying to engage township audiences: "As a marketer, I've always found marketing in the township fascinating as you have to consider the vast disparities between the inhabitants that make up the township population. Historically we considered townships as the "Mass Market" meaning predominantly low income households and led to a homogenized approach to communication, the same would not ring true in present day reality."

The report certainly provides marketers with direction as to what encourages township residents to open their wallets.

Topping the list were recommendations from friends and family - cited by 15% - followed closely by newspaper inserts (13%). Anyone who has visited a township on payday will recognise the significance of couponing as a major driver of purchase behaviour.

It should come as no surprise that stokvels play a major role in determining buying decisions with our panel rating these collectives as the third greatest source of influence. The National Stokvel Association estimates that there are over 810 000 stokvel groups in the country handling some R50bn annually [1].

Tailoring offers to stokvel communities could provide brands with a significant uptick in sales.

Despite brands channelling increasing chunks of their marketing budgets into digital channels, television continues to wield significant power with 11% of respondents citing it as a key source of information. Conventional broadcast commercials outperformed website and social media advertising (9% respectively).

Asked to rank the primary social media platforms in order of importance, more than three quarters of our sample voted for WhatsApp with Facebook coming a distant second capturing just 17% of the vote. Instagram was ranked top by 2% with Twitter cited by just 1%.

TEA founder Bulelani Balabala recognises that lack of access to information is still a major obstacle for many township residents: "The primary challenge is how and where the brands communicate with the township consumer. Even in our work it's a proven fact that Facebook and WhatsApp are the top two communication platforms for this market and it would be great to see more brands adjusting to this reality."

## What type of marketing influences you most in selecting a product? (RANKING)



On the topic of influencers, township residents were almost twice as likely to be swayed by those holding positions of authority in their communities (11%) than they were by celebrity influencers. This once again draws into question the value of high budget influencer marketing and demonstrates the value that micro influencers can bring to marketing programmes. Better, therefore, for brands to build connections in the community by working with elders, religious leaders and teachers than investing in blockbuster campaigns that look to capitalise on high profile individuals with large social followings.

Ramushu agrees with this sentiment: “There is an emerging black middle class that is heavily influenced by individuals dubbed ‘Kasi Heroes’ - these individuals play a major role in influencing township culture. Leveraged correctly they would prove invaluable for brands trying to find relevance with this market.”

**“There is an emerging black middle class that is heavily influenced by individuals dubbed ‘Kasi Heroes’**

- Thabo Ramushu



Rogerwilco's Kasirayi Mashiri believes that many marketers are missing a trick. “While township centred brands continue to invest in traditional marketing activities I sense that the majority of companies are out of touch with lower income communities. To deliver meaningful efficacy, campaigns must be authentic and they should be as integrated as possible, creating multiple touchpoints through which brands can engage their consumers.”

**“Campaigns must be authentic and they should be as integrated as possible.”**

- Kasirayi Mashiri



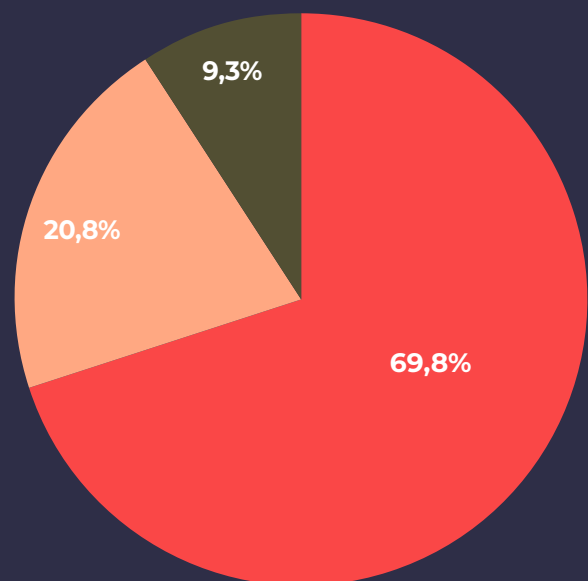
This is a view supported by Balabala: “The brands that want to operate or have been operating within the township must be open to understanding what is really important to their customer so that they are able to drive value and so that their products/services speak to that market. In most cases the posture of brands is of one who seeks to bring these consumers to their level of understand and not come down to the consumer. This is seen through marketing campaigns that don't truly represent that market all the way to corporate social and enterprise development initiatives that don't drive impact.”




It was interesting to note that SMS marketing was the form of communication least likely to convince township residents to part with their cash.

This is perhaps reflected in the 5% compound annual decline in SMS and MMS spend reported by PWC in their latest African Entertainment and Media Outlook [2].

For years marketers have debated whether communications should be phrased in the universal language of English or tailored in the intended audience's mother tongue. Our respondents were unanimous with 70% stating a preference for English and just 9% requesting that advertising be personalised into one of South Africa's 10 other official languages.

**Do you prefer marketing to be in English or your own language?**



-  English
-  It doesn't matter
-  My language



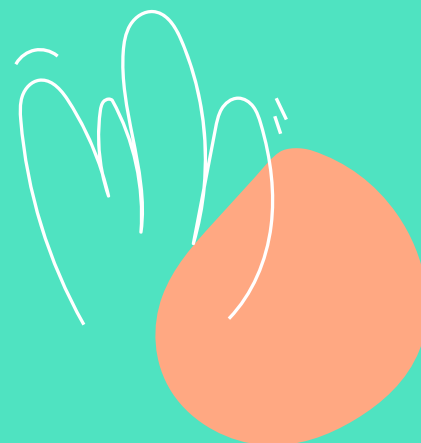


Commenting on the research, Zumi Njongwe, Nestlé's marketing director in East and Southern Africa says: "The report demonstrates that we need to think about how we can better add value to township communities and the insights really start to demystify some of the long held beliefs about our people. To be successful in driving strong social change, we need to understand what influences this important market"



## Insights and Actionable Outcomes

- 🕒 TV remains a key
- 🕒 Brands should build community level relationships if they're to extend their reach and build loyalty among township audiences
- 🕒 Communicate in English



### References

1. [Statement on Measures to Prevent COVID-19 Coronavirus Transmission](#)
2. [Entertainment and media outlook 2019–2023 An African perspective](#)

# Conclusion

So, where does this research leave South African brands as they seek to create more meaningful engagement with their consumers?

## The evolution of marketing has demonstrated that the most resonant campaigns are those that show affinity with their target market.

Whether this be through an understanding of the lifestyle pressures that impact decision making, doubling down on education, committing to offer all constituents the same quality of service, recognising that aspiration sometimes means what we're told isn't always the whole truth or simply ensuring that messaging is in the right language, this report demonstrates that if marketers up their game when it comes to positioning their brands to township audiences, rewards aplenty await them.

The extent of ecommerce's reach within the township was an encouraging surprise to the report authors. All the more encouraging is witnessing the work being done to extend online retail into more accessible channels like WhatsApp and to offer more effective delivery solutions. But work remains to be done in addressing trust and building an effective method for returns.

The need for effective education is identified in many areas of the report. While financial institutions have tried to engage township audiences, the slow switchover from cash to other payment methods suggests that their messaging is not landing.

The topic of loyalty is an interesting one. In a township context where depressed household incomes dictate purchasing decisions, it's evident that convenience and familiarity often outweigh price and can scupper all but the best loyalty programmes.

Attitudes towards counterfeit products are also worthy of mention. The peculiar influence of the human psyche is felt across our varied landscape and no time more so than when it comes to our fear of exposure. Aspiration is familiar to us all and brands can perhaps learn from this and look to create genuine lower cost products that fulfil the needs of their customers.

But of most interest to marketers will be the final section which looks to understand how our messages land. With so many marketing mediums being used to reach audiences, it's clear that the most successful campaigns are integrated and will use a variety of channels to engage. For some brands this might mean combining a coupon / leaflet campaign with strong above the line television commercials focusing on price points. For others, there's an opportunity to build trust by creating authentic partnerships with local, community based influencers and broadcasting the depth of these commitments across social media platforms using WhatsApp as the central pillar. For the sake of consistency (and to rule out the unintended consequence of sloppy malapropisms), it seems best to stick to English.

While this research paper is not intended to be an in depth analysis of the township environment, the authors hope that it will provide some level of insight that empowers marketers to refine their activities to better engage one of the most misunderstood audience segments in South Africa.

# About The Report Authors

## Rogerwilco

Rogerwilco is a multi-award-winning staff-owned marketing agency with business units in Cape Town, Johannesburg and London.

The company offers a full range of digitally-led marketing services including strategy, creative, social, performance, development and marketing technology solutions to enterprise level customers and leading non-governmental organisations.

To help CMOs better understand the dynamics of the local market, the company conducts a number of major research projects each year including its annual South African Digital Customer Experience report and this, the inaugural Township Marketing report.

For more information on Rogerwilco visit [www.rogerwilco.co.za](http://www.rogerwilco.co.za).

## Survey54

Survey54 is a consumer intelligence platform. The company allows organizations to survey millions of consumers across Africa. This is all done remotely through the power of mobile. As an automated data platform we bring brands closer to their consumers using mobile-led data collection methods and smart insights. Survey54's technology enables businesses to get the answers they need to make decisions.

Survey54 provides stats based on the audience and reach requirements by the business, enabling clients to test brand awareness, run product-market fit assessments and real-time opinion polls. It works with brands including Kelloggs, Uber, Colgate and AB-Inbev.

For more information on Survey54 visit [www.survey54.com](http://www.survey54.com)

## Marketing Mix

Marketing Mix Conferences are a vital source of latest best practice thinking and winning case studies and provide invaluable one to one networking opportunities. It holds between 8 and 10 events per year, which target professional marketers in SA and sub-Saharan Africa focusing on four primary topics: township marketing; new media; shopper; and the laws affecting marketers.

It works closely with the Direct Marketing Association (DMASA), the Mobile Marketing Association (MMASA), the Marketing Association of SA (MASA), the Interactive Advertising Bureau of SA (IABSA), the OHMSA, Red & Yellow Creative School of Business, IIE Vega School and related media partners.

For more information on Marketing Mix, contact [terry@marketingmixconferences.co.za](mailto:terry@marketingmixconferences.co.za) or call 083 326 2450.