

# Unpacking brand value in informal settlements

Target Group Index (TGI) recognised a gap in South African market research and set up a survey, TGI Township, to get an in-depth understanding of township consumers. The informal settlement or township market holds great opportunity for brand owners.

## Global phenomenon

It is predicted that the current 400 million urban citizens in Africa will exceed 750 million by 2025, 60% of Latin American population live in informal settlements and, in Asia, between 30-80% of the population live in informal settlements. To understand townships in South Africa, it is necessary to understand informal settlements in the global context.

In a recent Smithsonian Global project, the growth of the informal settlements globally was described as, "a fire raging across the Southern Hemisphere." It is estimated that close to one billion of the world's estimated seven billion inhabitants live in informal settlements and this number will grow to two billion by 2030. When looking at the world by population size and not land mass, it is evident that the biggest population growth, which is particularly high in informal settlements, will take place in Africa, Asia and South America.



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## Common misperceptions

Informal settlements are mainstream, not marginal. However, these communities are misunderstood to a large degree and therefore very few brands are able to penetrate this market effectively.

Whether it is the favelas of Brazil, the informal settlements of Kenya, or the townships of South Africa, broad homogenising brush strokes are often used when painting a picture of

these market realities.

Common misperceptions about informal settlements are held by marketers across the world and have a negative impact on the way brands are marketed to consumers in these environments.

It is not true that only poor people live in informal settlements; people living in informal settlements only buy cheap products; and all informal settlements are the same. Different rules of trading apply to informal and to formal markets. Greater insight is needed into the consumption habits and preferences of the informal settlement target market.

## Focus on townships

TGI Township is a module within the TGI database that allows users to look at the South African urban dwellers in the context in which they live and differentiate between township or informal settlements and formal urban areas. It collects and analyses valuable insights into product preferences, media consumption patterns, lifestyle, and attitudes towards the society as a whole.

The survey comprises of a nationally representative annual sample of approximately 15,000 urban adults (15 and older) and covers a wide range of product categories, attitudes and media patterns. The annual sample is 7000, which is robust. It allows for comparison between township and urban consumers and between individual townships. It provides insights into townships in general and five specific townships - Soweto, Mitchell's Plain, Soshanguve, Umlazi and Khayelitsha.

## Quality not cheapness

The research findings showed that brands that downscale products and quality to suit the township demographic miss the mark. The price value equation is critical to this market. The township market tend to buy well-known brands for household products, 12% more in townships as compared to South Africa as a whole and 9% more think that it's worth paying extra for quality products. Ten percent of township consumers will choose a brand name rather than white labels. For these consumer markets, it is better to pay more for a quality brand or product that can be trusted, than to take the risk of buying penny-wise but pound-foolish products.

Townships differ from one township to another and each township has different sub-communities and subcultures within it. Demographic profiling will only bring a brand so far, what is required is to get into the minds and under the skin of the township shopper. Historically townships were formed based around culture and language groups, and this influence can still be felt strongly through consumer preferences in the different townships.

## Different demographics

Research reveals that Soweto, Mitchell's Plain and Soshanguve have significantly more individuals living in higher SEL conditions, whereas the opposite picture applies to Umlazi and Khayelitsha. Soweto and Mitchell's Plain hosts an older population dealing with the realities of a growing number of dual dependants and parenthood, while Soshanguve, Umlazi and Khayelitsha host a disproportionate number of under 35s who are mostly single and have to deal being pre-teen parents, single parents or dependence on extended families.



Social mobility is important in townships and marketers would do well to appreciate aspirations as well as pressures on disposable income. The survey shows that township capital rests in social capital rather than economic capital. Brands that perform on claims of quality will win. Credibility hinges on winning back trust and getting the right attention of consumers and trust in township is built most strongly through word-of-mouth.

Community is a strong influencer in the township market, community in the sense of holding the same ideals as a group, for example a church or stokvel, and not necessarily a geographic community, although this could also play a role. The multi-layered and complex nature of township communities requires in-depth research to gain understanding of the nuances.

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