

SA's cash spending - 2005

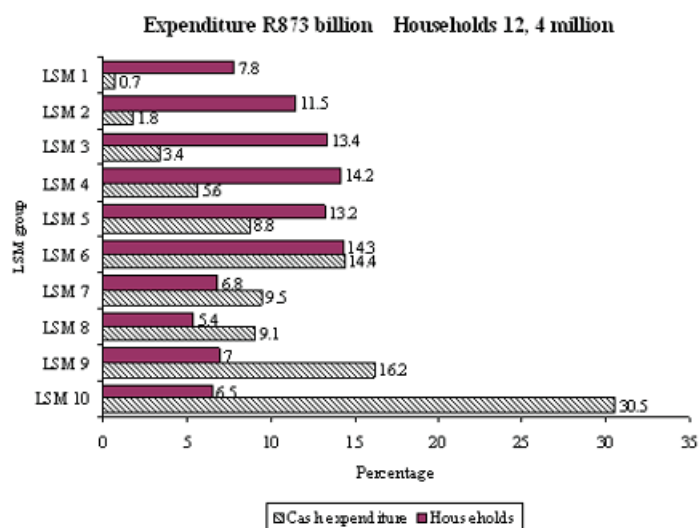
Household cash expenditure in South Africa for 2005 is estimated at R873 billion, with just more than one fifth (21%) of this amount spent on food, while housing and electricity took up a further 15% and income tax payments 11%. These are some of the findings in a research report compiled by Prof Johan Martins of the Bureau of Market Research (BMR) at the University of South Africa (UNISA).

The report entitled 'Total household cash expenditure in South Africa by Living Standards Measure (LSM) group and product, 2005', provides detailed information of total expenditure on approximately 500 products and services for each of the ten LSM groups.

The South African Advertising Research Foundation (SAARF) developed the Living Standards Measure (SU-LSM) model whereby households can be classified into ten different living standards groups, where LSM 1 households have the lowest and LSM 10 households the highest living standards.

The classification into LSM groups of the 12,4 million households of South Africa in 2005 was done mainly according to the amenities at the disposal of the household members and the area where they live. The estimated 8% of households that fell into LSM group 1 in 2005 were responsible for less than 1% of the total household expenditure, while the 7% of households in LSM group 10 were responsible for 31% of the total household expenditure.

**SHARE OF LSM GROUPS IN TOTAL HOUSEHOLD CASH EXPENDITURE AND
TOTAL NUMBER OF HOUSEHOLDS, 2005**



The approximate breakeven point where the share in the total number of households and the share in the total expenditure is almost the same (14%) is LSM group 6 households. LSM 6 households constituted 1,8 million of all households and were responsible for R125,6 billion of total expenditure.

Food, clothing and footwear, and housing contributed almost 80% of the total cash budgets of households falling into LSM group 1. Food alone was responsible for 71% of their expenditure with poultry topping the list (11% of all their expenditure) followed by white bread, rice and mealie-meal.

Just less than a quarter (24%) of the cash budgets of households falling into LSM group 6 was spent on food. However, their diet varied considerably in comparison with the lower LSM groups. LSM group 6 households spent relatively high amounts on items such as white bread, beef, mutton and lamb, poultry and fresh milk.

Food is followed by housing and electricity (17%), transport (9%) and income tax (9%) as main expenditure items on which most money was spent by LSM group 6 households.

Payment of income tax by households falling into LSM group 10 was responsible for 17% of their budgets, followed by housing and electricity (14%), food (11%) and transport (11%). More than a quarter (28%) of LSM group 10 households' expenditure on food was spent on meat products with prepared food second on the list (17%).

LSM group 10 households were responsible for 61% of the R11 billion spent by South Africans on holidays, 53% of the R10,9 billion spent on recreation, entertainment and sport and 53% of the R10,9 billion paid to domestic servants.

They were also responsible for more than one third of total household expenditure on transport, medical and dental costs, insurance and funds, income tax and savings. LSM group 10 households' share in total household expenditure was less than 20% for food, household fuel and light, cigarettes and tobacco, washing and cleaning and cash support to relatives.

More than one third (35%) of the total household expenditure in 2005 was spent by households living in Gauteng. The 2,8 million households in Gauteng were responsible for R302 billion of the total of R873 billion expenditure. Households in the Western Cape were second on the list with R155 billion followed by KwaZulu-Natal with R144 billion. Households in these three provinces were responsible for more than two thirds (69%) of total household expenditure in 2005.

LSM group 1 households' expenditure on cellphone (mobile phone) calls in 2005 was estimated at R24 million as against the R1,5 billion of LSM group 6 and R4,7 billion of LSM group 10 households.

Total household expenditure or market potentials constitute the basis of effective marketing planning. Management relies on household expenditure data for solving a wide variety of marketing problems such as determining the most effective advertising media and channels of distribution and developing more focused target marketing.

The report is available from the Bureau of Market Research, PO Box 392, UNISA 0003.

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