Soweto housing survey

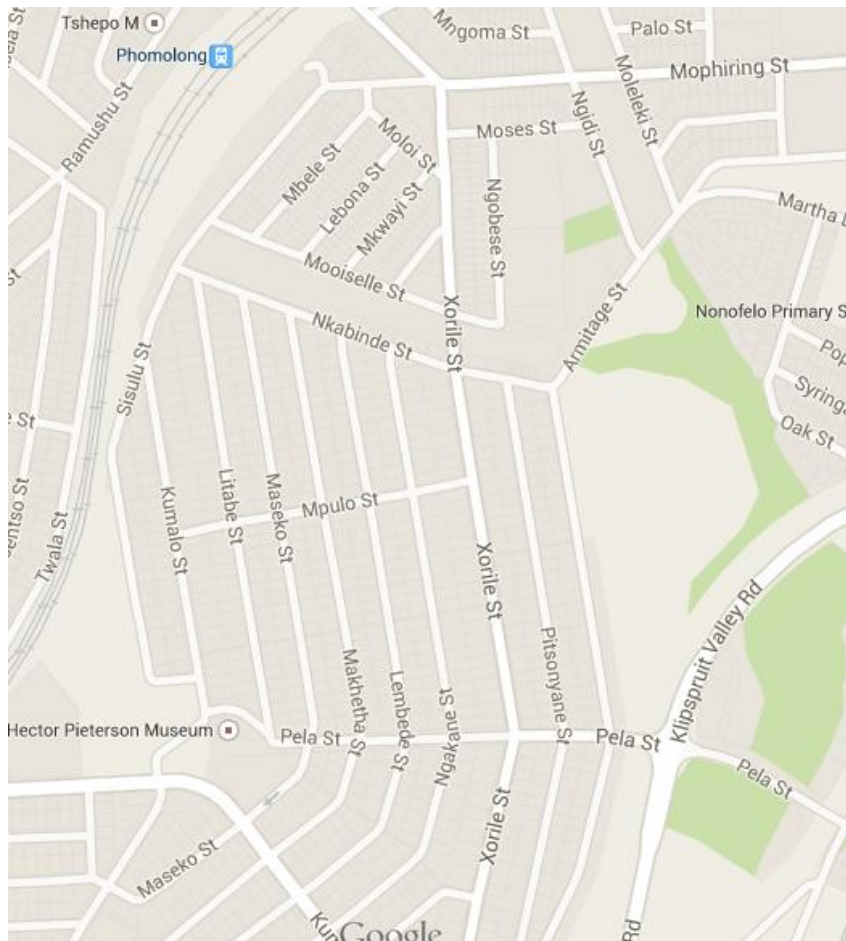**April 2014**

This presentation is incomplete without the accompanying oral commentary

Eighty20 conducted a survey of almost 200 households in Orlando West, Soweto, between March and April 2014. The survey explored housing investment in the neighbourhood. Read more about Soweto and its history here http://www.alhdc.org.za/static_content/?p=2632

PROCESS

- Enumerators started by taking a photo of every house within a designated area of Orlando West near Vilakazi Street

- Initially, specific houses were selected from the photos. These focused on neighbouring households where one household looked like it had invested a large amount in the house and the other had not as well as houses where there was evidence of recent building activity

- Enumerators were sent back to selected houses to survey the household head or their spouse

- The sample was subsequently expanded to other households in the area

- The survey consists of around 40 questions to renters and owners

EIGHTY**20**

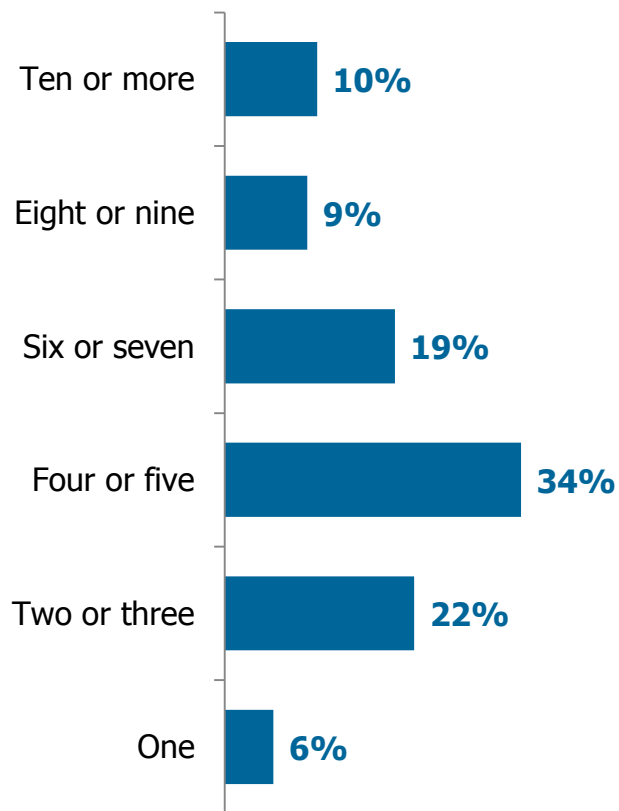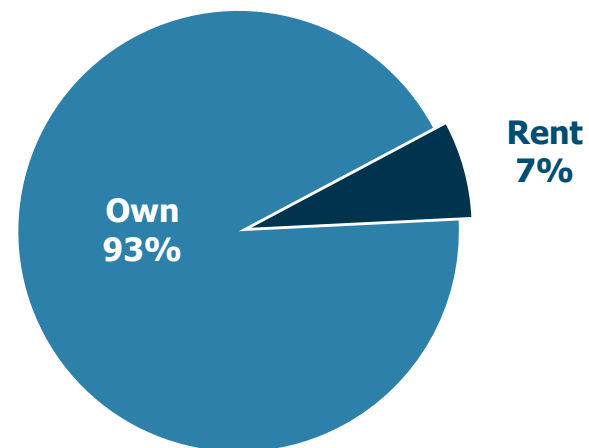# Agenda

Households

Owners

Renters

In total 194 households were surveyed. Of these, only 13 households did not own their dwellings

HOUSEHOLD SIZE

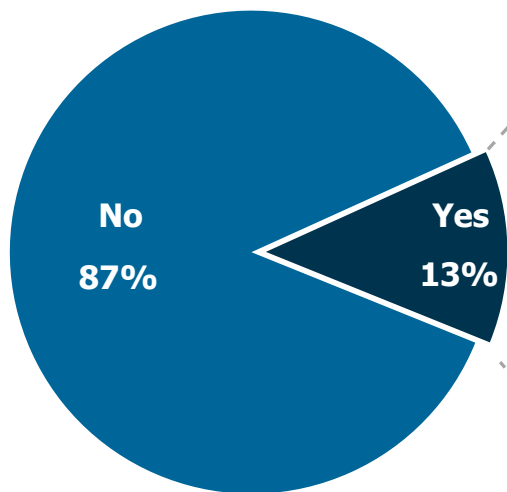| Household size	Percentage
Ten or more	10%
Eight or nine	9%
Six or seven	19%
Four or five	34%
Two or three	22%
One	6%

TENURE STATUS

Own 93%

Rent 7%

EIGHTY20

Thirteen per cent of households surveyed run a business out of their home. The most common type of business is a shebeen or bottle store

DO YOU RUN A BUSINESS OUT OF YOUR HOME?

No 87%

Yes 13%

BUSINESS TYPES

Shebeen/ bottle store	8
Spaza shop	3
Restaurant/ catering	3
B&B / Guest house	2
Construction	1
Arts and crafts	1
Tailoring / dressmaking	1
Selling goods like clothing/ fabric	1
Hairdressing or barber	1
Crèche	1
Other	3

WHO IS YOUR PRIMARY CUSTOMER BASE?

Local people	20
Tourists	3
Other business	2
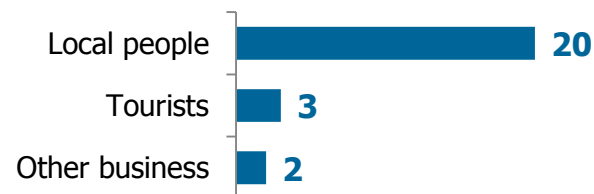
EIGHTY20

Agenda

Households

Owners

Renters

The majority of owners say they inherited their houses. Eighty per cent of households have been living in the house for 30 years or more
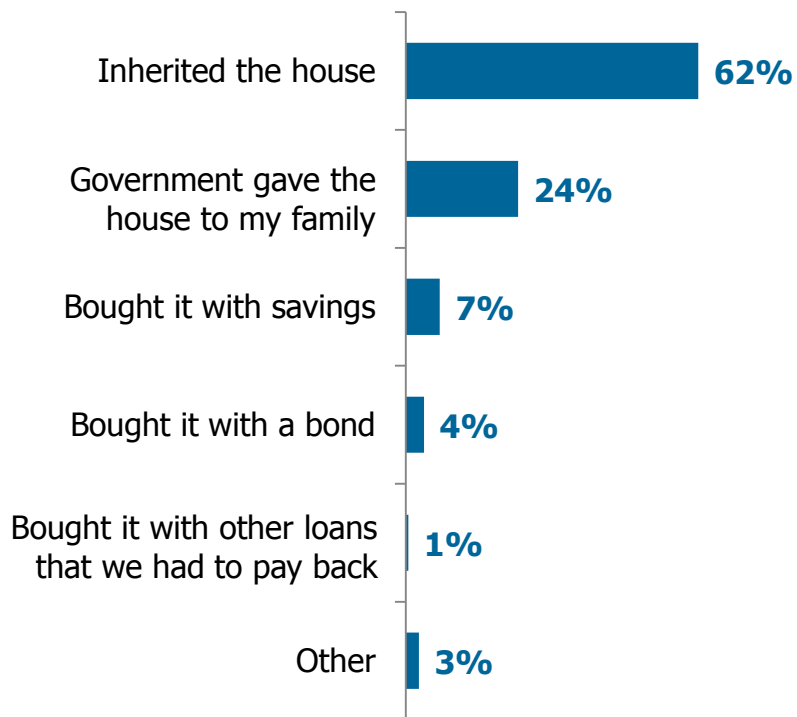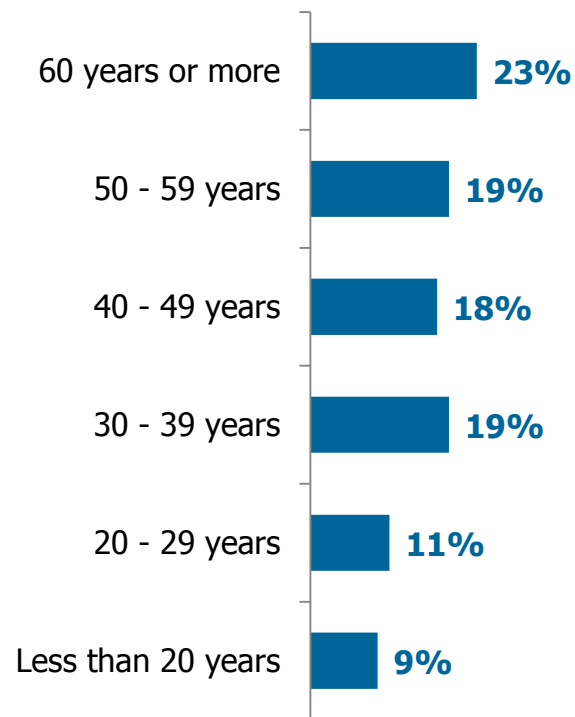
HOW DID YOUR HOUSEHOLD GET THIS HOUSE?

Category	Percentage
Inherited the house	62%
Government gave the house to my family	24%
Bought it with savings	7%
Bought it with a bond	4%
Bought it with other loans that we had to pay back	1%
Other	3%

NUMBER OF YEARS HOUSEHOLD HAS LIVED IN THIS HOUSE

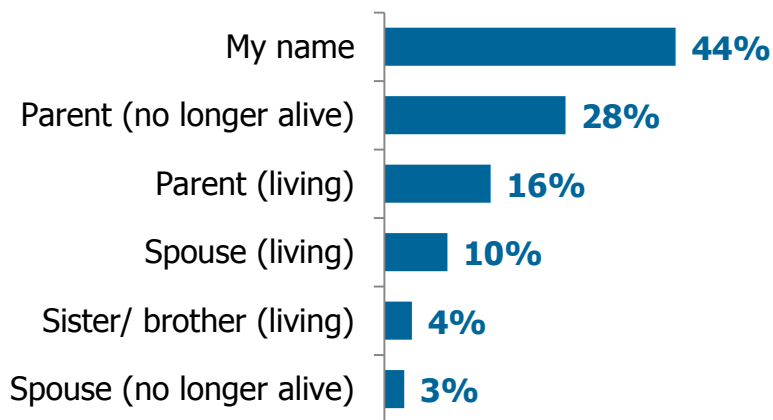| Category	Percentage
60 years or more	23%
50 - 59 years	19%
40 - 49 years	18%
30 - 39 years	19%
20 - 29 years	11%
Less than 20 years	9%

EIGHTY20

Ninety-two per cent of the households surveyed have a title deed, although in many cases the name on the title deed is that of a deceased family member

DO YOU HAVE A TITLE DEED FOR THE HOUSE?

No 8%

Yes 92%
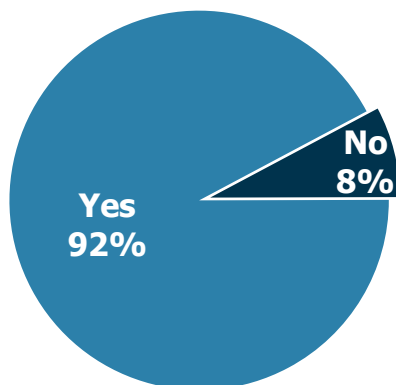
IF YES, WHOSE NAME IS ON THE TITLE DEED?*

My name	44%
Parent (no longer alive)	28%
Parent (living)	16%
Spouse (living)	10%
Sister/ brother (living)	4%
Spouse (no longer alive)	3%

### IF NO, WHAT PROOF DO YOU HAVE THAT YOU OWN THIS HOUSE?

- Letter from the councillor (3 people)
- Death certificate/ marriage certificate/ memorandum (1 person)
- Affidavit from previous owner (1 person)
- Letter from the department (1 person)
- No proof (8 people)

* Note: More than one name can be on a title deed and totals does not need to add up to 100%

EIGHTY**20**

Half of households surveyed said their homes had changed a lot over the past five years. Just over one third said their house had changed a little while the remaining 16% have not made any changes to their homes in the past five years

HOW MUCH HAS THIS HOUSE CHANGED IN THE PAST 5 YEARS?

It has not changed at all — 16%

It has changed a little — 34%

It has changed a lot — 50%
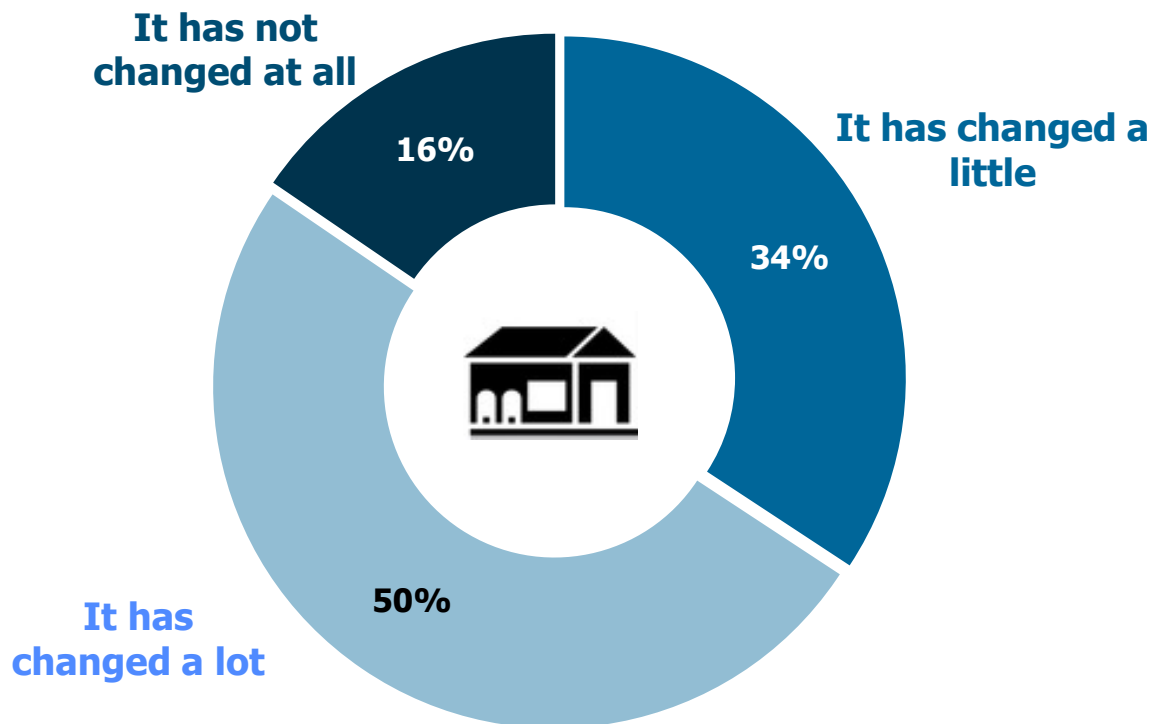
Many have built walls around the property and added burglar bars

WHAT HAVE YOU DONE TO THE HOUSE IN THE PAST 5 YEARS?
(Household has made changes to the house in the past 5 years)

Change	Percentage
Built a wall around the house	59%
Added burglar bars	53%
Fixed up the kitchen	46%
Fixed up the bathrooms	40%
Changed the roof	37%
Added a garage or parking space	29%
Built a room/s outside the house	24%
Added another level to the house	6%
Demolished the previous house and rebuilt a new house	5%
Added a room/s to the house (without going up a level)	4%
Other	3%
Nothing	2%

EIGHTY**20**
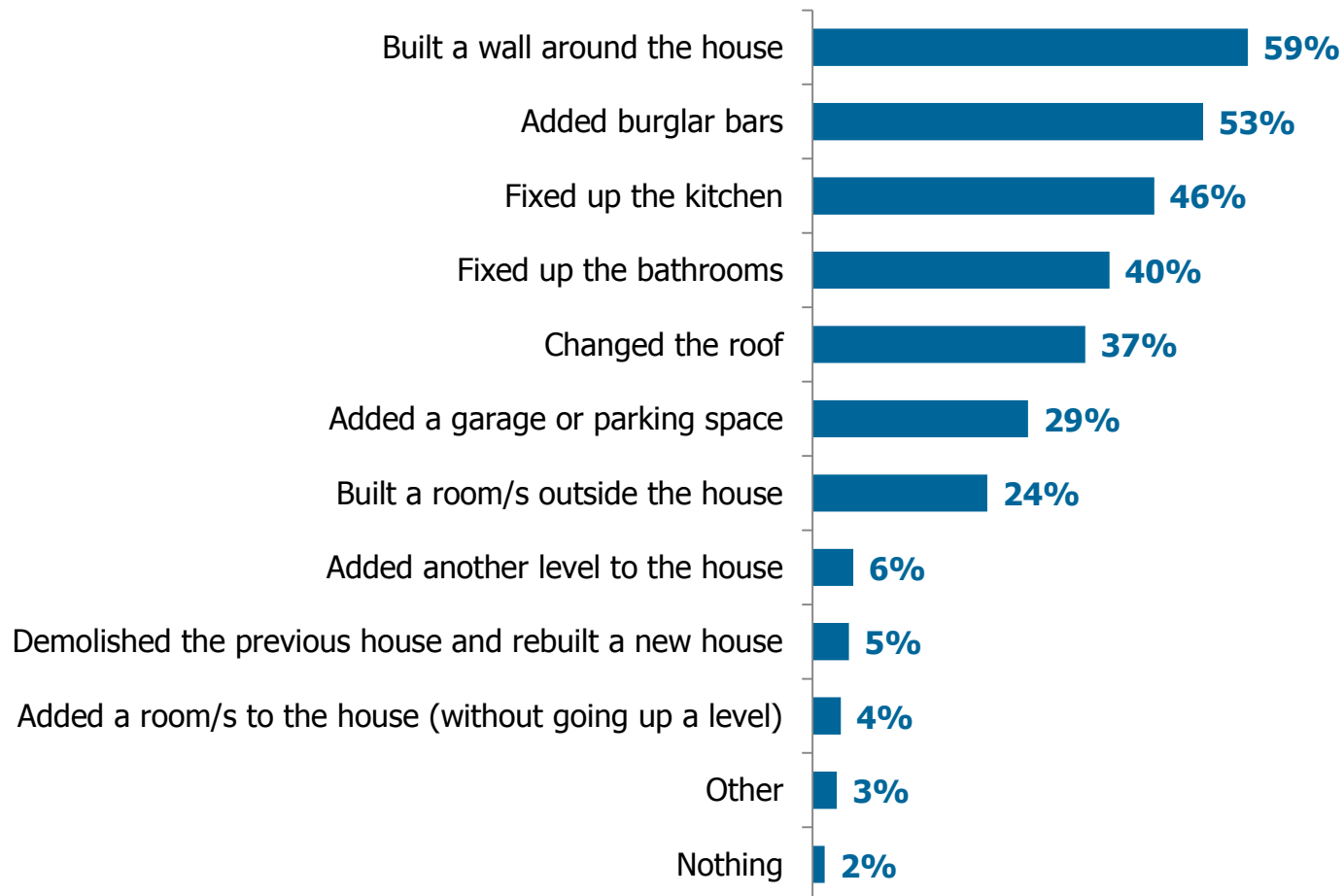
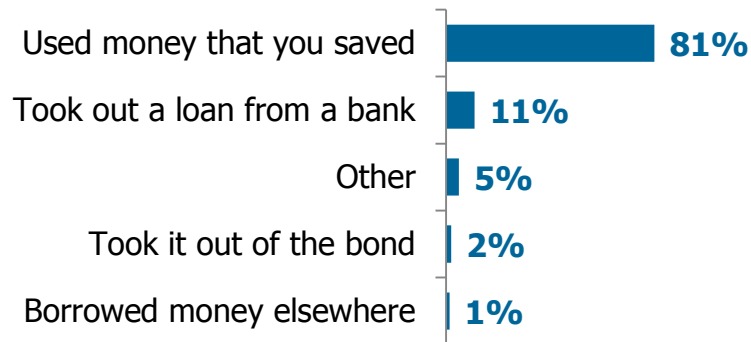# Interestingly, 81% of households that have made changes to their homes in the past five years say they funded these with their savings. Bank loans are also used, but only by a few. Just 22% say they have ever taken a loan to improve their home

HOUSEHOLDS THAT HAVE MADE CHANGES TO THEIR DWELLING

HOW DID YOU PAY FOR THE CHANGES?

Used money that you saved	**81%**
Took out a loan from a bank	**11%**
Other	**5%**
Took it out of the bond	**2%**
Borrowed money elsewhere	**1%**

CREDIT USAGE

Have you ever taken a loan to improve your house? **22%**

Have you ever purchased building materials on credit? **8%**
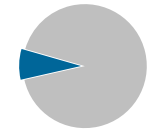
BUILDING

Did you get approval from city council to make changes? **65%**

Did a qualified architect or draughtsman draw plans? **73%**

WHO DID THE BUILDING?

▪ Hired a few workers and managed them yourself	**87%**
▪ Hired a building company	**11%**
▪ Did it yourself	**3%**

Note: Households that have made changes to their dwellings

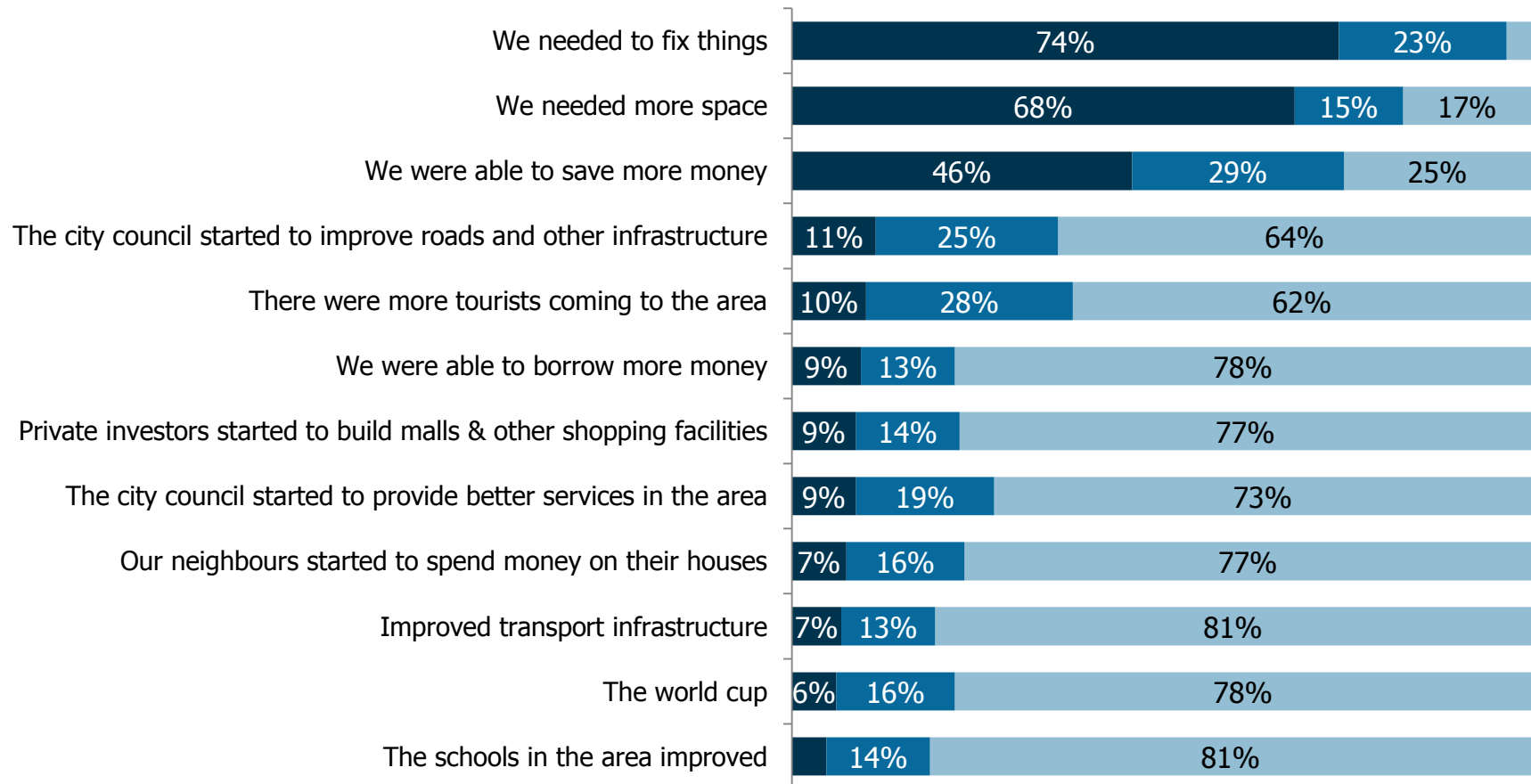# The main factors that influenced households to spend money on their homes include basic maintenance and needing more space. The ability to save appears to be a far more significant influencing factor than access to credit

HOW IMPORTANT WOULD YOU SAY THESE THINGS WERE IN INFLUENCING YOU TO SPEND MONEY ON YOUR HOUSE?
(Households that have made changes to their dwelling)

| Factor	Very important	Important	Not important
We needed to fix things	74%	23%	
We needed more space	68%	15%	17%
We were able to save more money	46%	29%	25%
The city council started to improve roads and other infrastructure	11%	25%	64%
There were more tourists coming to the area	10%	28%	62%
We were able to borrow more money	9%	13%	78%
Private investors started to build malls & other shopping facilities	9%	14%	77%
The city council started to provide better services in the area	9%	19%	73%
Our neighbours started to spend money on their houses	7%	16%	77%
Improved transport infrastructure	7%	13%	81%
The world cup	6%	16%	78%
The schools in the area improved		14%	81%

■ Very important ■ Important ■ Not important

EIGHTY20

Three-quarters of households surveyed said they are planning to make changes to their homes in the future. Again the majority say they will use savings to fund these changes, rather than credit
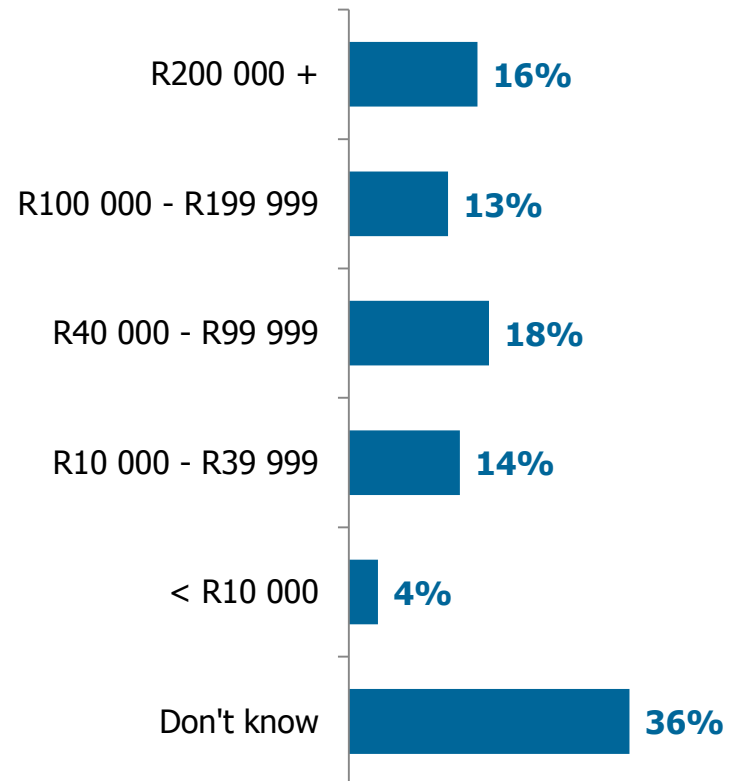
ARE YOU PLANNING ON MAKING FUTURE CHANGES TO YOUR HOUSE?

No 25%

Yes 75%
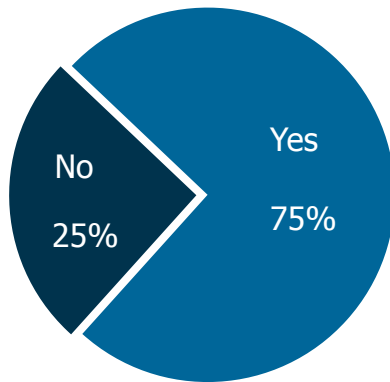
HOW MUCH WILL THESE CHANGES COST?
(Households that are planning on making future changes to dwelling)

R200 000 +	**16%**
R100 000 - R199 999	**13%**
R40 000 - R99 999	**18%**
R10 000 - R39 999	**14%**
< R10 000	**4%**
Don't know	**36%**

WHERE WILL YOU GET THE MONEY FROM?
(Households that are planning on making future changes to dwelling)

Use money that you saved	**78%**
Take out a loan from a bank	**16%**
Other	**16%**
Borrow money from somewhere else	**1%**

EIGHTY20

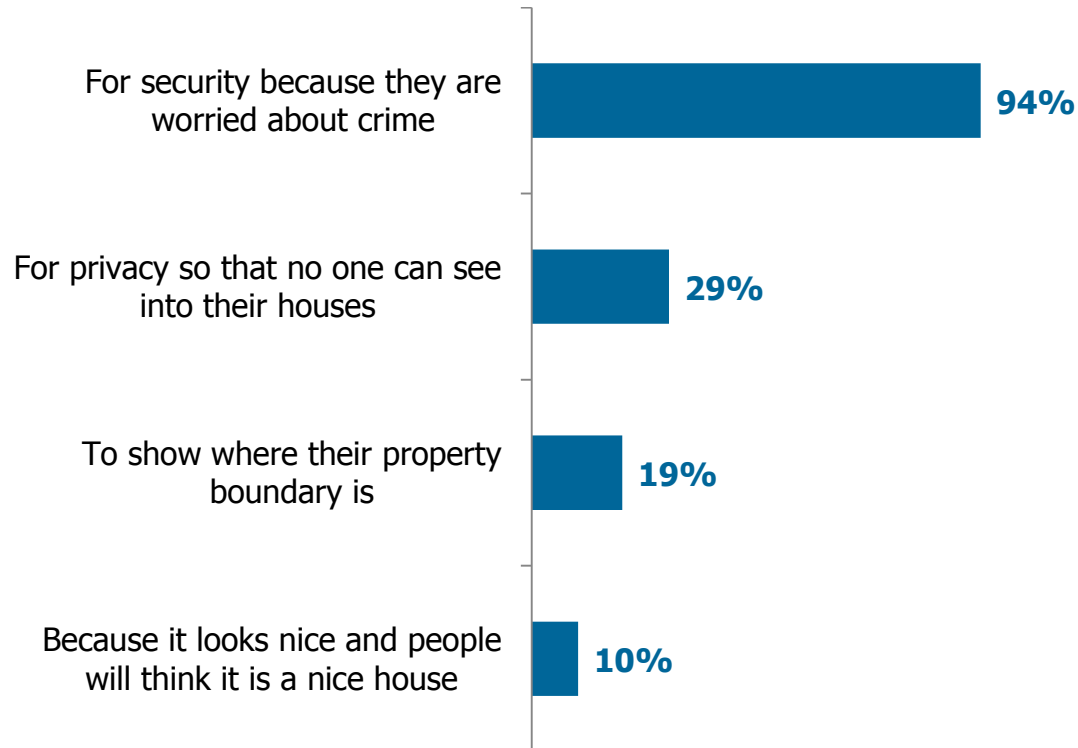# Many households are planning to build more rooms outside their dwellings and to build a wall around their dwellings

WHAT ARE YOU PLANNING TO DO TO YOUR HOUSE NEXT?
(Households that are planning on making future changes to dwelling)

Action	Percentage
Build more rooms outside the house	32%
Build a wall around the house	30%
Change the roof	24%
Fix up the kitchen	23%
Fix up the bathrooms	23%
Change the ceilings	21%
Add rooms to the house (same level)	21%
Change doors / windows	20%
Add a garage or parking space	17%
Add a geyser	16%
Demolish the house and rebuild it	13%
Add burglar bars	13%
Add another level to the house	12%

EIGHTY20
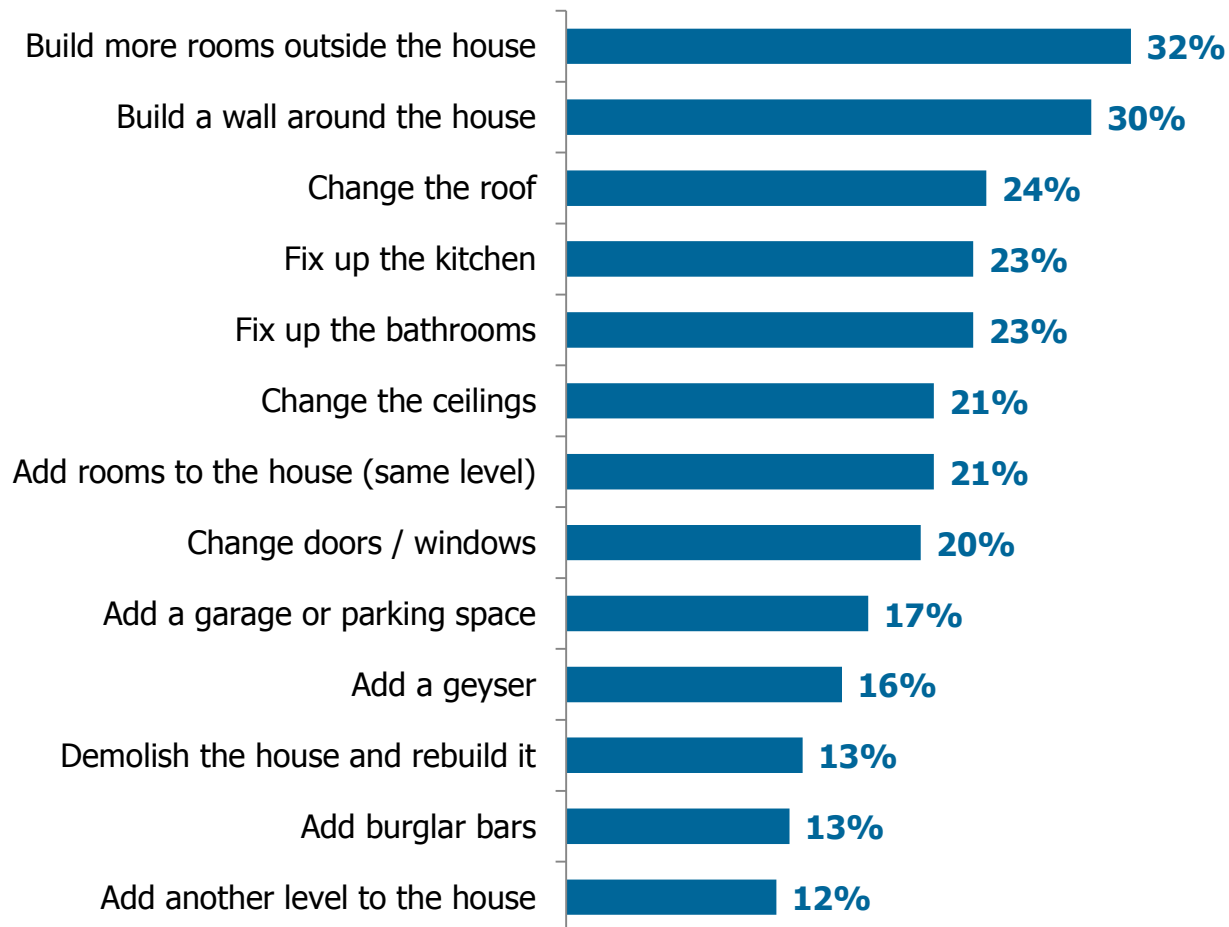
Just under 80% of households surveyed had either built a wall around their dwelling or are planning on building a wall in the future. The main reason for building walls is for security

WHAT IS THE REASON SO MANY PEOPLE IN THE AREA HAVE BUILT WALLS AROUND THEIR PROPERTIES?

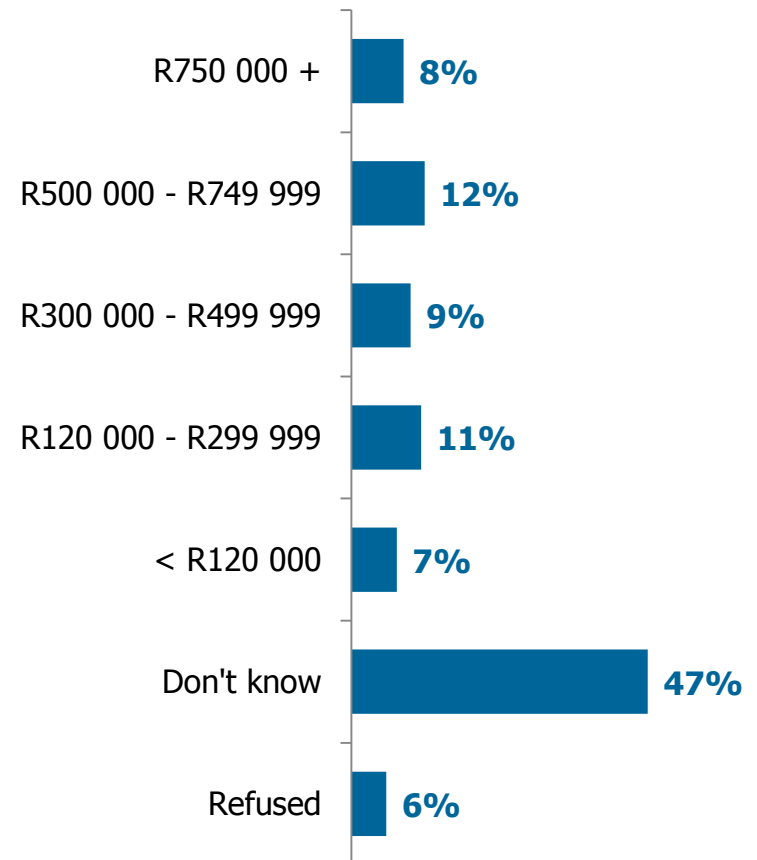| Reason	Percentage
For security because they are worried about crime	94%
For privacy so that no one can see into their houses	29%
To show where their property boundary is	19%
Because it looks nice and people will think it is a nice house	10%

EIGHTY20

Almost 15% of households say they plan to move out of the neighbourhood in the next five years but only 3% say they plan to sell. House price estimates vary widely with only a third actively tracking prices in the area
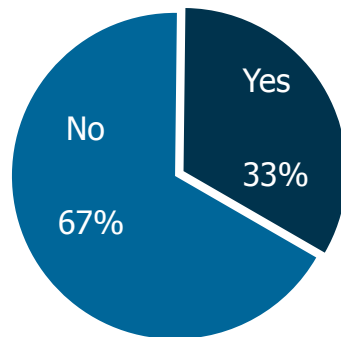
MOVING

Plan on moving out of neighbourhood in next 5 years?	**14%**	**26**
Plan on selling house in next 5 years	**3%**	**5**
Plan on moving out of neighbourhood AND selling house in next 5 years	**2%**	**4**

DO YOU TRACK PROPERTY PRICES IN THIS AREA?

Yes 33%

No 67%

WHAT DO YOU THINK YOUR HOUSE IS WORTH

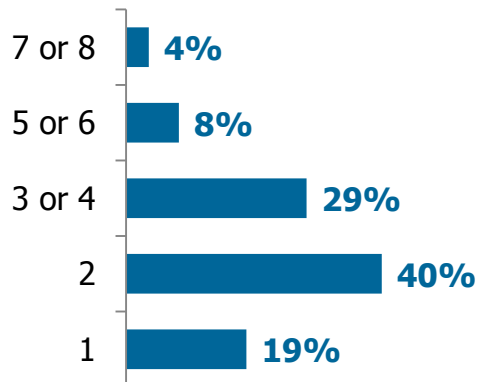|	
R750 000 +	8%
R500 000 - R749 999	12%
R300 000 - R499 999	9%
R120 000 - R299 999	11%
< R120 000	7%
Don't know	47%
Refused	6%

EIGHTY20

Almost half of households that own their dwelling rent out part of their property. Most have more than one tenant

DO YOU RENT OUT ANY PART OF THIS PROPERTY?

No 54%
Yes 46%
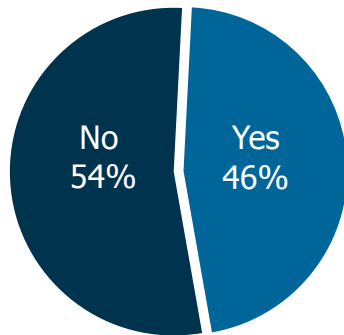
HOW MANY TENANTS DO YOU HAVE?

- 7 or 8: 4%
- 5 or 6: 8%
- 3 or 4: 29%
- 2: 40%
- 1: 19%

ROOMS RENTED OUT

A room inside my house
- Four: 1%
- Two: 1%
- One: 1%
- None: 96%
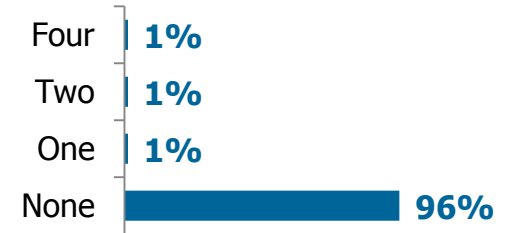
Room or house built of bricks/cement in the yard
- Four +: 6%
- Three: 12%
- Two: 19%
- One: 15%
- None: 48%

A shack in the yard
- Four +: 14%
- Three: 7%
- Two: 19%
- One: 13%
- None: 46%
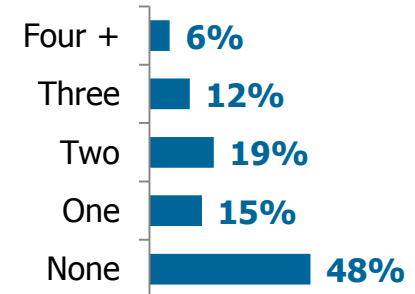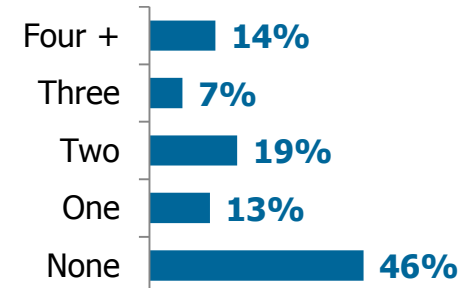
Agenda

Households

Owners

Renters

Households that rent pay R3 000 or less per month. A large portion of renters would like to buy a house in the area

ARE THERE HOUSES IN THIS AREA THAT YOU THINK YOU COULD AFFORD TO BUY?

No 62%

Yes 38%
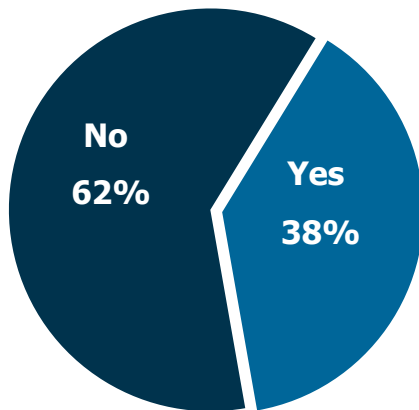
WOULD YOU LIKE TO BUY A HOUSE IN THIS AREA?

Yes 85%

No 15%
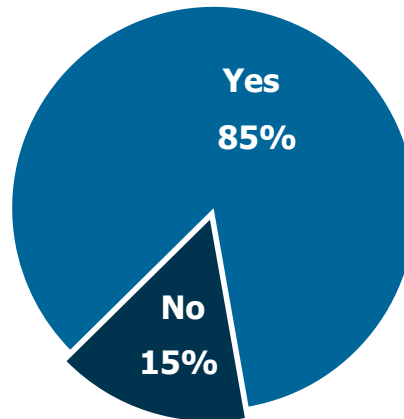
HOW MUCH RENT DO YOU PAY EVERY MONTH?

R1 001 – R2 000
38%

R2 001 – R3 000
38%

R0 – R1 000
23%
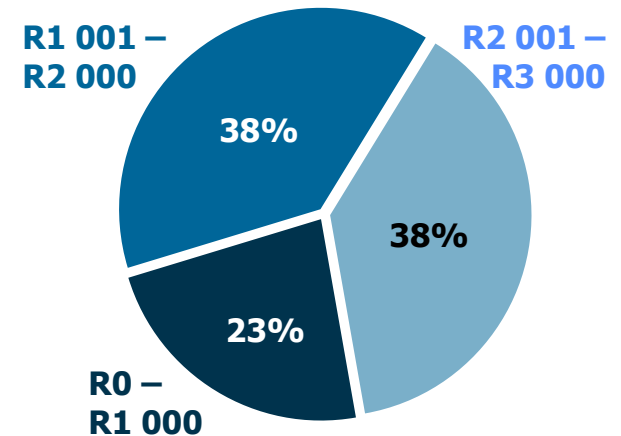
Note: based on small a sample size (13 households are renting)

EIGHTY20

PROVIDING INSIGHTS

Eighty20 is a niche consultancy with a strong market research and quantitative approach to problem solving. Eighty20 provides businesses, marketers, policy makers and developmental organisations with strategic and actionable insights from data. We offer clients online access to market research databases, ready made data-rich reports on topical issues, as well as a full range of bespoke business consulting projects and workshops. Our economists, MBAs, actuaries and statisticians provide a unique combination of skills to turn data into insights.

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CONTACT US
145 Sir Lowry Road, Woodstock Cape Town
T: 021 460 0440
E: info@eighty20.co.za
www.eighty20.co.za

PROVIDING INSIGHT: CUSTOMER ANALYTICS

Explore your market
Reports and consumer-market research tools

Understand your customer
Customer profiling and behaviour analysis

Make a case for change
Predictive modelling, scenario development and business-case creation

PROVIDING INSIGHT: BUSINESS ANALYTICS

Explore the industry
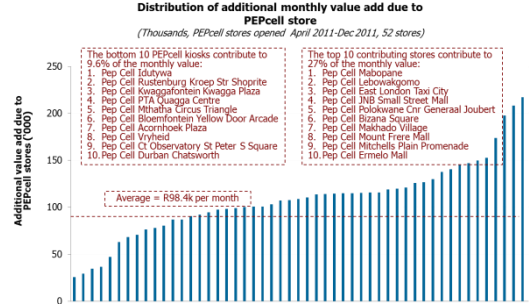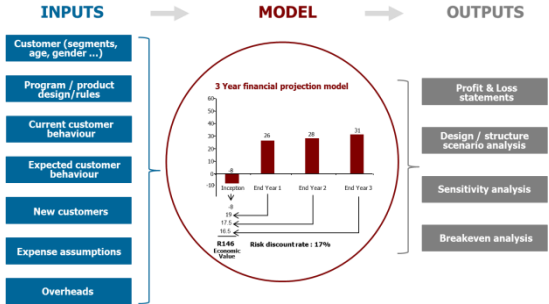Industry and competitor analysis and reports

Understand your business
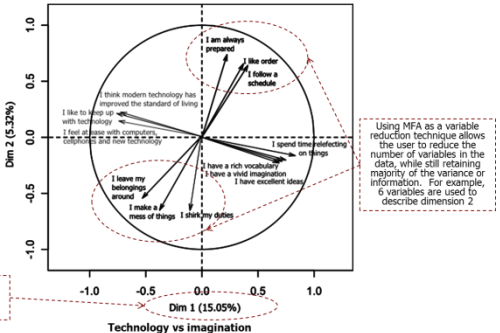Financial reporting and data analysis

Make a case for change
Predictive modelling, scenario development and business-case creation

EIGHTY20

What we do at Eighty20

Number of different stores visited

Number of Transactions

Number of Books

Spend

INPUTS → MODEL → OUTPUTS

- Customer (segments, age, gender ...)
- Program / product design/rules
- Current customer behaviour
- Expected customer behaviour
- New customers
- Expense assumptions
- Overheads

3 Year financial projection model

R146 Economic Value — Risk discount rate : 17%

- Profit & Loss statements
- Design / structure scenario analysis
- Sensitivity analysis
- Breakeven analysis

Distribution of additional monthly value add due to PEPcell store
(Thousands, PEPcell stores opened April 2011-Dec 2011, 52 stores)

The bottom 10 PEPcell kiosks contribute to 9.6% of the monthly value:
1. Pep Cell Idutywa
2. Pep Cell Rustenburg Kroep Str Shoprite
3. Pep Cell Kwaggafontein Kwagga Plaza
4. Pep Cell PTA Quagga Centre
5. Pep Cell Mthatha Circus Triangle
6. Pep Cell Bloemfontein Yellow Door Arcade
7. Pep Cell Acornhoek Plaza
8. Pep Cell Vryheid
9. Pep Cell Ct Observatory St Peter S Square
10. Pep Cell Durban Chatsworth

The top 10 contributing stores contribute to 27% of the monthly value:
1. Pep Cell Mabopane
2. Pep Cell Lebowakgomo
3. Pep Cell East London Taxi City
4. Pep Cell JNB Small Street Mall
5. Pep Cell Polokwane Cnr Generaal Joubert
6. Pep Cell Bizana Square
7. Pep Cell Makhado Village
8. Pep Cell Mount Frere Mall
9. Pep Cell Mitchells Plain Promenade
10. Pep Cell Ermelo Mall

Average = R98.4k per month

Personality trait example using MFA

Diligence — Dim 2 (5.32%)

Technology vs imagination — Dim 1 (15.05%)

Using MFA as a variable reduction technique allows the user to reduce the number of variables in the data, while still retaining majority of the variance or information. For example, 6 variables are used to describe dimension 2

Dimension 1 explains the most variance in the data. In this case, it explains 15.05%.

Note: This is a made-up example

	Cluster 1a	Cluster 1b	Cluster 2a	Cluster 2b	Cluster 3a	Cluster 3b	Grand Total
Buyer	9%	74%	79%	79%	93%	61%	58%
Concrete Technologist	2%	0%	0%	0%	5%	3%	2%
Consulting Engineers Government	3%	0%	21%	21%	3%	36%	7%
End User	48%	8%	0%	0%	0%	0%	17%
Trade Counter Sales Reps	38%	18%	0%	0%	0%	0%	17%
Area							
Gauteng	39%	33%	49%	50%	53%	42%	41%
KwaZulu Natal	12%	15%	17%	7%	14%	33%	15%
Eastern Cape	10%	12%	1%	0%	7%	0%	8%
Western Cape	8%	10%	21%	29%	13%	22%	13%
Mpumalanga	9%	6%	4%	7%	2%	0%	6%
Limpopo	8%	5%	0%	0%	4%	0%	5%
Free State	6%	6%	0%	0%	2%	0%	4%
North West	6%	7%	7%	7%	3%	3%	5%
Northern Cape	2%	6%	0%	0%	3%	0%	3%
Product needs							
Gave a weighting to cement needs	100%	100%	85%	100%	88%	6%	90%
Gave a weighting to aggregate needs	4%	0%	0%	7%	100%	97%	26%
Gave a weighting to ready-mix needs	5%	0%	100%	93%	1%	100%	23%

A high proportion of cluster 3a is in Gauteng. This is above the average cluster. Most other provinces are below the average. Therefore, when targeting these customers, you should implement your strategy in Gauteng first, followed by KwaZulu Natal and the Western Cape
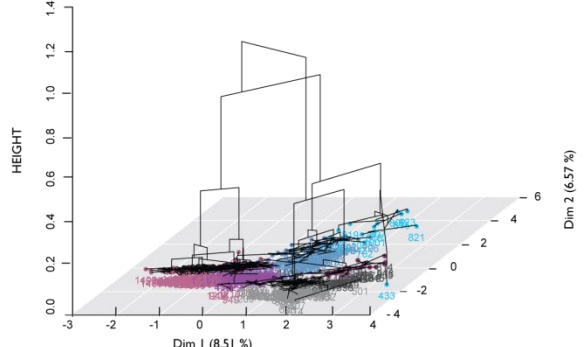
Above average / Below average

The Problem: Traditional target marketing

- The communication of fixed product offers to groups of customers which have been selected according to high-level profiling (e.g. segmentation)
- This approach does not adequately allow for each individual consumer's behaviour – and the propensity to change that behaviour – and so has poorer results
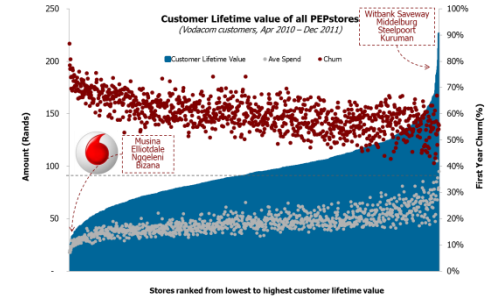
The Solution: Our personalisation approach

- Our personalisation solutions enable companies to give the right marketing offer to the right customer at the right time via the right distribution channel. The uniqueness of our approach is in our ability to understand and predict the behaviour of customers based on analytics
- Campaign objectives may include increasing spend, cross-selling, increasing redemption rates or improving loyalty
- Randomised Controlled Trials (RCTs) are used to scientifically assess impact

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HIERARCHICAL CLUSTERING ON THE FACTOR MAP

HEIGHT — Dim 1 (8.51 %) — Dim 2 (6.57 %)

CLUSTER 1A — CLUSTER 1B — CLUSTER 2A — CLUSTER 2B — CLUSTER 3A — CLUSTER 3B

Customer Lifetime value of all PEPstores
(Vodacom customers, Apr 2010 – Dec 2011)

Customer Lifetime Value — Ave Spend — Churn

Amount (Rands) — First Year Churn(%)

Stores ranked from lowest to highest customer lifetime value

Witbank Saveway Middelburg Steelpoort Kuruman

Musina Elliotdale Ngqeleni Bizana

The border stores did not perform as badly as expected. Only in Musina, Makidwe and on the Lesotho border do we see very low customer lifetime values

- More than 30% below mean
- 10% to 30% below mean
- Within 10% of mean
- 10% to 30% above mean
- More than 30% above mean
- No PEPstores or customer lifetime value data*

EIGHTY20