CONSUMERS' EXPENDITURE PATTERNS AND SHOPPING PREFERENCES IN UNDERDEVELOPED URBAN AREAS: THE CRITICAL CASE OF TSHWANE

Michael Colin Cant, Catherine Mpolokeng Sephapo***

Abstract

This paper investigates the household expenditure patterns and shopping preferences of consumers residing in underdeveloped blackurban areas in the Tshwane area. Black households are already by far the largest group in the middle-income (LSM 5-8) market, where their numbers continue to grow steadily (Chase, Legoete& van Wamelen, 2010:2). Past research provides oddments of general spending patterns in South Africa among the population at large; however, this study focuses specifically on the area of Tshwane. Although the sample size was not representative of the entire population, the results provide a picture of what and how black consumers residing in this area spend their household income. A quantitative approach was used for this study where a survey questionnaire was used as a method for collecting data. The results showed that although the income of the sample population was not high, basic needs were fulfilled and the concept of keeping costs low did not come at the expense of the quality of goods and services.

Keywords: Household Expenditure Patterns, Informal Black Urban Areas, Consumers, Tshwane Area, Preferences, Shopping Patterns

*Department of Marketing and Retail Management, University of South Africa. Pretoria
Tel: +27-124294456
Email: cantmc@unisa.ac.za
**Department of Marketing and Retail Management, University of South Africa. Pretoria
Tel: +27-124293739
Email: sephacm@unisa.ac.za

1 Introduction

The recession that South Africa has been going through in recent years has made the country's consumers adapt and change their behaviour so that they can survive (SA Trader, 2012). To do this, consumers have had to modify their emotional and functional needs to suit their oscillation in their disposal incomes. This means that people who do not have a set income each month cannot spend the same money on set items each month. This translates to everything from food to clothes and entertainment (SA Trader, 2012). There are numerous reasons why black consumption patterns warrant separate attention. A focus on black consumption provides insight into the emerging black middle class, a phenomenon drawing much interest from analysts and commentators (Nieftagodien& Van der Berg, 2007:3).

Gauteng is the smallest province in South Africa but the most densely populated. Its population is estimated to be 7 870 000, which includes people from surrounding areas such as Evaton, Sebokeng, sharpville, Tshwane and Soweto among others (SA Townships, 2012).

The study focuses on the household expenditure patterns of consumers residing in black urban areas of Tshwane as well as shopping preferences because limited research has been done in this area. For the purpose of this study, the term 'Black urban area' will refer to underdeveloped urban residential areas in which non-white inhabitants live. These residents include black, coloureds and Indian working class individuals (Give

Hope, 2009). The city of Tshwane's Black urban areas include Atteridgeville, Eersterus, Laudium, Mamelodi, Marabastad, Saulsville and Soshanguwe (SA Townships, 2012). There is a higher concentration of people residing in these areas however; there are also limited shopping centres within their immediate surroundings where they could shop. It has been a recent development where 'malls' are being erected in black urban areas such as the 'Maponya Mall' in Soweto. Which leads to the question as to how and where do black consumers spend their household income? The aims and objectives of the research study will follow in the subsequent section. The theoretical framework used to conceptualise consumer shopping preferences in this study will then be discussed. The research methodology used to conduct this study will then be discussed followed by an analysis of previous research studies. The research findings, concluding remarks and recommendations will end the study.

2 Aim and objectives of the research

The aim of this study was to establish expenditure patterns of consumers residing in Black urban areas of Tshwane in South Africa. Additional objectives were formulated to attain the aim of the paper. They comprise of the following:

• To investigate what consumers residing in black urban areas spend their household income on.

- To establish whether consumers residing in black urban areas of Tshwane have retail stores within their townships.
- To determine whether consumers residing in black urban areas of Tshwane have generic clothing stores within their townships.
- To determine where consumers residing in black urban areas of Tshwane prefer to shop.
- To ascertain the frequency in which consumers shop at generic clothing outlets.
- To ascertain the frequency in which consumers residing in black urban areas of Tshwane shop at retail outlets within their townships
- To establish the reasons why consumers shop at generic outlets.
- To explore the reasons why consumers shop at shopping malls

3 Literature review

3.1 Theoretical framework

Shopping behaviour of consumers differ from one consumer to another. These individuals are all influenced by various factors therefore impacting on their behaviour. This impact could either be negative or positive. Sheth (1983) in Rajamma and Neeley (2005) suggest that consumers' shopping preference for a shopping outlet will be determined by their shopping motives as well as the shopping options they have available to them. These motives have been conceptualised to be of two types, (a) functional needs and non-functional needs (Rajamma&Neeley, 2005:65). It is argued that functional needs are related to outlet attributes whereas non-functional needs are anchored to outlet association (Rajamma&Neeley, 2005:65). Another factor under consideration is the shopping options consumers have available to them. This is set to have some impact on the shopping preference of consumers. In this paper, the conceptualisation of the process underlying consumers' preferences for shopping at different locations is based on the role of shopping location and consumer characteristics. This conceptual model is modified from that used by Levin, Levin and Weller (2005).

Figure 9. Conceptual framework
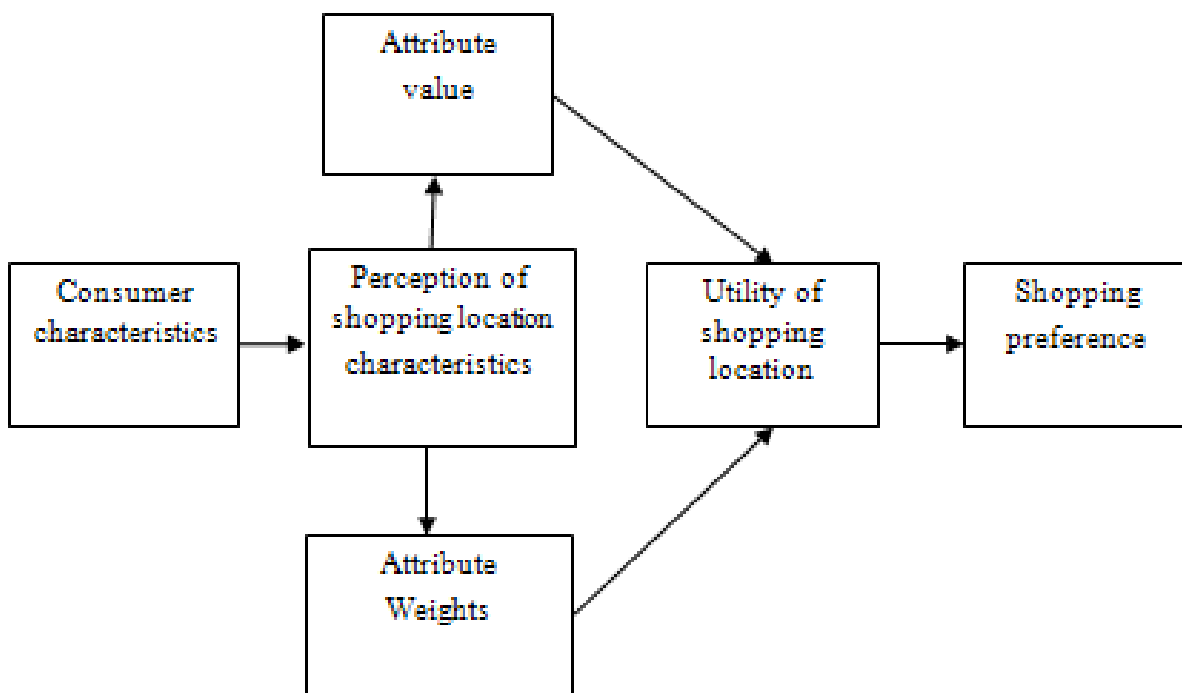
Adapted from: Levin, A. M, Levin, I. P & Weller, J. A. (2005)

Vital in this conceptualisation is that shopping locations are evaluated in terms of the extent to which key attributes are perceived to be delivered better from the location (CBD, in the townships or suburbs). We therefore refer to these as attribute values and their perceived importance for that particular shopping location is referred to as the attribute weights. The overall utility for the different shopping locations is the product of attribute value by attribute weight, summed ever attributes (Levin, Levin & Weller, 2005: 281). For the purpose of this study, the term utility refers to the state of usefulness

of the different shopping locations, highlighting the benefits that each location provide to consumers.

3.2 Household consumption expenditure in Tshwane

The term "consumption expenditure" is used to distinguish between expenditure on goods and services that are intended for immediate use and disbursements which are intended to provide resources for the future such as investments and other forms of savings (StatsSA. 2006:15). Total spending is made on consumer goods and services and this spending is therefore determined by the level of household income (Preserve articles, 2011). Household income is defined as the total income from all the people living in a particular household (Business Dictionary, 2012). It refers not only to the salaries and benefits received but also to the receipts from any personal business and investments (Business Dictionary, 2012).

Most South Africans are dependent on incomes from salaries (StatsSA, 2010). Nationally, salaries (62.4% and grants (44.9%) were received by the highest percentages of households (StatsSA, 2010). Provincially, Western Cape (74.7%) and Gauteng (74.2%) had the highest percentage of households who earned an income from salaries (StatsSA, 2010). Grants were more prevalent than salaries as a source of income in Limpopo (58.2%), Eastern Cape (56.2%), Northern Cape (52.2%) and Free State (51.5%) (StatsSA, 2010). About a third of

households in the Eastern Cape (37.6%) and Limpopo (33.1%) selected social grants as their households' main source of income (StatsSA, 2010).

A survey conducted by the South African Institute of Race Relations showed that for 2008, white South Africans earned considerably more income than other races (Mail & Guardian, 2009). According to the survey, the average per capita income in South Africa for the 2008 period was R32 599, while per capita income for white people was R135 707 (Mail & Guardian, 2009). Income per capita refers to a measure of the amount of money that is being earned per person in a certain area (Investopedia, 2012). Income per capita can apply to the average per-person income for a city, region or country and is used as a means of evaluating the living conditions and quality of life in different areas (Investopedia, 2012). Indians had the second highest per capita income at R56 173, with coloured South Africans at R23 569 and black South Africans with the lowest per capita income at R 19 496 (Mail & Guardian, 2009).

Given the wide differences in income between the population groups (Black African, coloured, Indian/Asian and white) in South Africa, and the impact of income on spending patterns, the finding of large differences in expenditure patterns between the population groups is to be expected (StatsSA, 2006). Table 1 provides the distribution of household consumption expenditure by population group. This excludes imputed rent, mortgage and other unclassified expenses.

Table 5. Distribution of household consumption expenditure by population group

	IES 1995		IES 2000		IES 2005/2006	
	Black African	White	Black African	White	Black African	White
	%	%	%	%	%	%
Food and non-alcoholic beverages	35,9	19,8	34,6	19,9	23,2	9,4
Alcoholic beverages and tobacco	2,6	2,4	2,6	2,2	1,5	1,0
Clothing and footwear	9,9	4,6	7,3	3,2	8,0	3,2
Housing, water, electricity, gas and other fuels	10,1	14,8	11,9	14,4	11,3	13,4
Furnishings, household equipment and maintenance of the house	13,2	8,9	7,7	9,9	8,8	7,5
Health	0,7	1,9	1,2	1,8	1,6	2,3
Transport	9,8	17,6	10,8	16,0	19,0	26,8
Communication	2,1	5,0	2,3	4,2	3,6	4,4
Recreation and culture	2,4	4,8	3,0	5,9	3,8	6,7
Education	1,7	1,9	2,8	2,9	2,9	2,7
Restaurants and hotels	1,6	2,9	3,3	4,1	2,5	2,7
Miscellaneous goods and services	9,9	15,2	12,6	15,5	13,8	20,0
Total consumption expenditure	100,0	100,0	100,0	100,0	100,0	100,0

Source: Statistics South Africa. (2006). *Income and expenditure of households.*Retrieved from: http://www.statssa.gov.za/Publications/Report-01-00-01/Report-01-00-012005.pdf.

According to Statistics SA's Income and expenditure of households report (2006), black African

consumers in South Africa spent 23.2 percent of their income on food and non-alcoholic beverages, 19 percent

on transport, 13.8 percent on miscellaneous goods and services and 11.3 percent on housing, water and electricity, gas and other fuels. This means that 67.3 percent of their income was spent on fulfilling basic needs. Remarkable findings from this study were that Black households spent 8% of their income on clothing and footwear, whereas the equivalent was spent on furnishings, household equipment and maintenance of their houses.

According to the Bureau of Market Research (2011), the results of the household income and expenditure patterns showed that there were nearly 14 million households in South Africa in 2010. From their findings, the emerging middle class (with an income of R100 000 – R300 000) had the biggest share of household income and expenditure in 2010. The group's annual income for the year was estimated at over R477 billion with a reported expenditure of R476 billion. The realised middle class (with an income of R300 000 – R500 000) represent the second highest category, both in terms of income and expenditure in 2010. The total household income and expenditure for this group was estimated at R297 and R291 billion respectively (Bureau of market research, 2011).

These studies is an indication of how much money South Africans spend within their households, however limited research is done on consumer expenditure in the area of Tshwane. Thus this study aims to investigate expenditure patterns of consumers residing in black urban area in the Tshwane area.

3.3 Shopping patterns and preferences of consumers living in black urban areas of Tshwane

The term 'Shopping patterns' refers to the typical manner in which consumers purchase goods or services in terms of amount, frequency and timing (Business Dictionary, 2012). The concept of consumer preferences stems from the idea that customers prefer one product or one service over another and research into this area of consumer behaviour has brought understanding to some of the major issues with standard customer satisfaction - the most important issue being that high customer satisfaction does not assure continued customer preferences (International Communications Research, 2011). This is important for this study as shopping patterns of black individuals living in black urban areas of Tshwane may differ as they may not have unrestricted access to malls and shopping within their immediate surroundings.

The study by Wiese (2004) aimed to investigate consumer preferences of students at the Tshwane University of Technology, Witbank campus. The majority of the respondents were Black and the results concluded that 65 percent of students preferred to shop at shopping centres. Fifty six percent of these students indicated that they usually shopped in town (CBD), 46 percent shopped close to where they stay and 50 percent of students admitted to shopping where it saves them time. Although students preferred to shop at shopping

centres, a large proportion of them shopped at places where it was convenient and saved them time. Since limited similar research has been done in the Tshwane area, this study is imperative in understanding the reasons why Tshwane consumers living in black urban areas prefer to shop where they do. In addition, this might help in identifying new development opportunities for these black urban areas.

The research conducted by Tustin (2008), provided great insight on consumer shopping patterns of black individuals residing in the Soweto urban area of Gauteng. Gautengs' black urban areas include Evaton, Sharpville, Soweto, and Tshwane but are not limited to these areas (SA Townships, 2012). Although limited research is available on the Tshwane area, Soweto provides a good illustration and motivation of existence of a need within the black urban area.

The opening of four major shopping mall or centres (Protea Gardens, Baramall, Jabulani and Maponya Mall) in Soweto since 2005 has changed the entire shopping landscape and shopping experience of residents in these urban areas. With further development still to be done in this area, past shopping behaviour trends of Sowetans to shop outside Soweto are bound to change (Tustin, 2008). According to Tustin (2008), more than nine out of every ten Sowetans buy from local Soweto retailers whereas twenty percent of household goods and services are purchased from businesses located outside Soweto. Only 10.4 percent and 7.2 percent of consumers' purchases are from home-based and vendors/hawkers/street front shops respectively.

Various reasons may be identified in understanding the motive consumers' have for shopping in specific geographic locations. . The study conducted by Wiese (2004) provided one reason, namely; convenience. According to the review of all other sized shopping centres in Gauteng by Business Day (2012), these shopping centres are located in the wealthier suburbs and not necessarily where the largest demand or concentrations of people are located.

Furthermore, this inequality is worse in Johannesburg where large shopping centres are located much closer to one another than those in Tshwane (Business Day, 2012). On average, each shopping centre is 8 minutes travel time away from its nearest competitor while their uncontested catchment areas have a radius of only 4 minutes travel time (Business Day, 2012). If consumers have to travel longer distances to shopping centres to acquire goods they need, this increases their travel expenses per month (excluding daily travel expense to and from work). Therefore people's preferences can somewhat be influenced by factors such as convenience or simply the products they seek at these shopping centres or malls.

4 Methodology

A quantitative approach was used for this study where a survey questionnaire was used as a method for collecting data. This approach was used to investigate expenditure

patterns of consumers residing in black urban areas of Tshwane. This approach was deemed appropriate by the researchers since the aim of the study was to determine shopping patterns of black consumers residing in black urban areas; and this can be done through an analysis of frequency data. The population sample consisted of 38 Black individuals residing in black urban areas of Tshwane. Both males and females were approached and thus included in the target population. They varied in age, from 19 years of age to 56 years of age. The sampling method used in this study was the convenience sampling method. The data collection instrument consisted of dichotomous, multiple choice, single response as well as multiple choice, multiple response choice questions. Dichotomous questions are questions that can be answered 'yes; or 'no' (Batchelder&Narens, 1977:115). There are two types of dichotomous questions that may be considered: objective questions and subjective questions. Subjective questions; those that are formulated by the researcher and answered by members of the population; were used in this study (Batchelder&Narens, 1977:115). These were deemed appropriate since patterns of consumers were investigated and two or more alternative answers could be provided (Cooper & Schindler, 2011: 330).

The questionnaire covered various facets of consumer spending patterns but those significant to the study are discussed. Respondents were given a list of three types of generic outlets and asked to indicate which of these outlets they had immediate access to. Each respondent could only indicate on e option. After establishing these outlets, it was imperative that the researcher instigate how often consumers did their shopping there. Respondents were given the following options: sometimes, always and never. At the crust of the study, were questions investigating the shopping preference of consumers. From a list provided, respondents had to indicate which of the listed locations they preferred to shop from and provide reasons for the preferred location.

The Income and expenditure of household study conducted by Statistics South Africa for the 2005/2006 period was used to compare the differences in consumer spending.

5 Research findings

The previous section provided a review of literature on consumers residing in black urban areas of Tshwane. This section reports on the key findings from the research conducted. Completed questionnaires were received from 38respondents (n=38) who lived within the black urban areas of Tshwane.

5.1 Household consumption expenditure in black urban areas of Tshwane

Figure 10. Average monthly expenditure
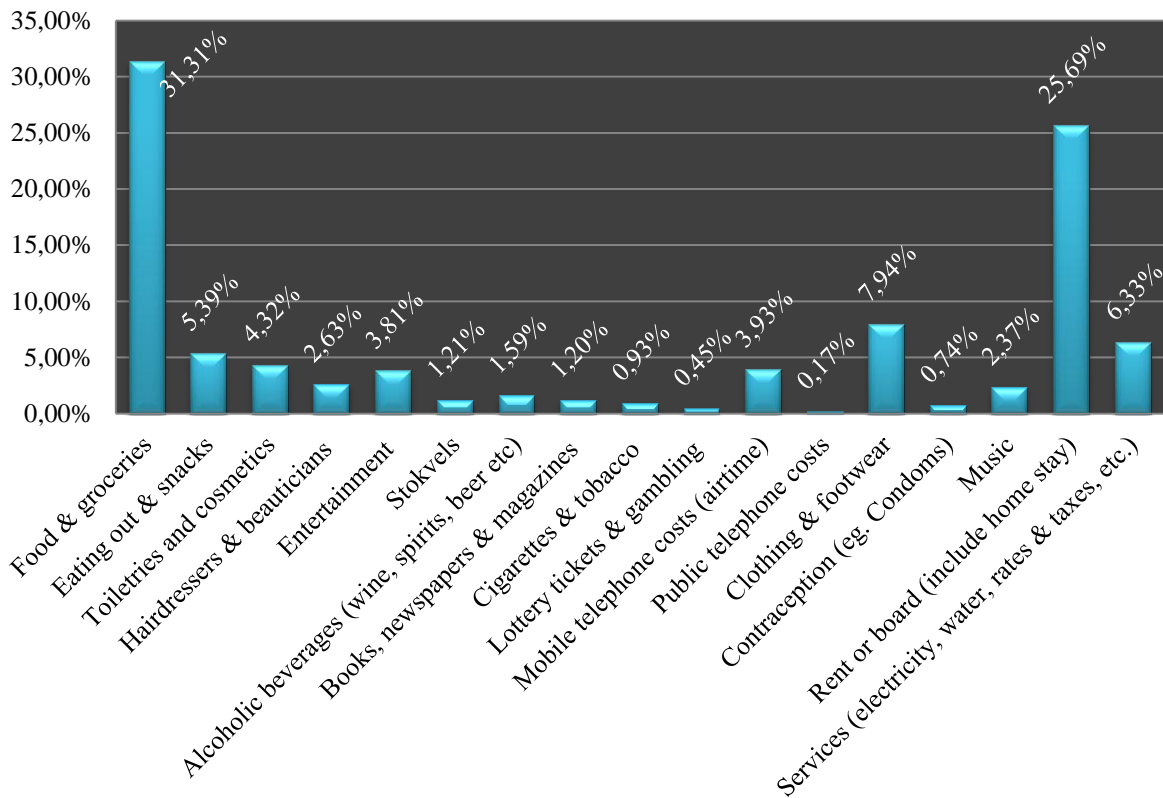
The respondents were provided with lists of items and asked to indicate how much they spent on each item per month. Consumers residing in black urban areas of Tshwane spend on average 31.31% of their average income on food and groceries. This accounts for the largest expense within their households. Rent was the second largest expense with consumers spending 25.69% of their income on rent. Consumers spent on average 7.94% of their income on clothing and foot wear. On average, 64.73% of the total household income is spent on fulfilling basic need.

The respondents who completed the questionnaires indicated that they spent on average 3.81% of their income on entertainment and 5.39% on eating out. This was as 1.26% more than what was spent on clothing and footwear. This was particularly interesting since one can deduce that regardless on the LSM group individuals fall under or how much their household income is, it is important to have a well rounded balanced life. Consumers residing in black urban areas of Tshwane still insured that they lived such a life within their financial means. In addition, it was attention-grabbing to find that these individuals spent on average 1.59% of their disposable income on alcoholic beverages. This accounts for 0.39% more than what is spent on books and newspapers. One can only speculate as to why consumers residing in black urban areas of Tshwane do not invest in daily newspapers or books. The level of education of these individuals could be a possible reason or simply that these individuals differ in their interests to those who keep up with world news. An important difference which is noteworthy is that in total, respondents spent 4.1% of their income on communication costs. These included mobile and public telephone costs. This is 0.22% less than what respondents spend on toiletries and cosmetics. From these figures, one can form perceptions about the priorities of the respondents; that they believe that communication is equally important as their physical appearance.

5.2 Shopping patterns and preferences of consumers living in black urban areas of Tshwane

The respondents were given a list of retail stores common to South African consumers. These retail stores included brands such as but not limited to Edgars, Foschini Markhams, Woolworths, Mr Price and Truworths. Sixty eight percent of those who completed the question indicated that they did not have these retail stores at their disposal within their immediate surroundings (within the black urban area they lived in) and thirty two percent indicated that they did in fact have these stores within their immediate surroundings where they could shop. Alternatively, respondents were asked if they had other generic clothing stores within the black urban area which they lived in. Figure 3 illustrates the number of respondents who indicated that they had generic clothing stores within their black urban area.

Figure 3. Access to generic clothing stores within black urban area
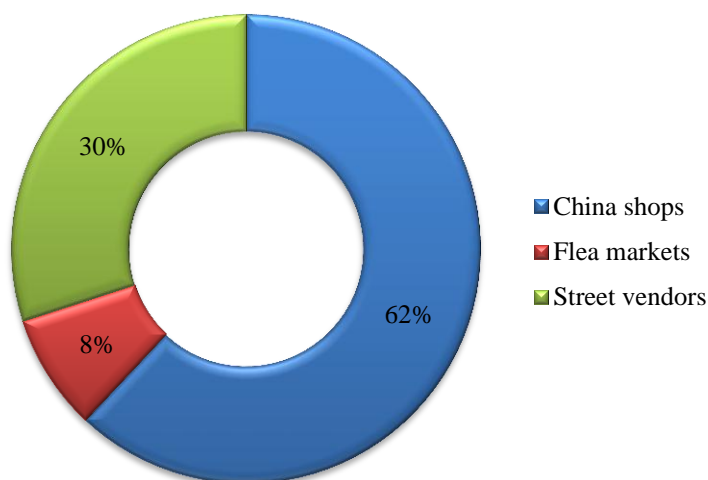
Sixty two percent of the respondents who successfully completed this question indicated that they has China shops within their residential area, thirty percent of respondents has access to Flea markets and eight percent had access to street vendors. From the respondents that indicated that they did in fact have retail stores and generic clothing stores within the area they lived in, respondents were asked to indicate the frequency in which they shopped at these stores respectively. Figure 4 provides a synopsis of the findings.

Figure 4. Frequency of shopping

■ Frequency of purchasing from generic clothing outlets
■ Frequency of purchasing from retail outlets within townships

Since 32% of the respondents said they had retail stores within the black urban area they lived in, analyses of the frequency of shopping can only be done on these respondents. It was interesting to see that only 46% of those who had access to these stores occasionally shopped at them and that 39% said they did not shop at these stores at all. This could be due to a number of reasons, which will be investigated latter section. Of those that had indicated that they had generic clothing stores within the black urban area they reside, only 8% indicated that they repeatedly shopped there, whereas 77% indicated that they occasionally made use of these stores. Interesting that 15% said they never shopped at these generic stores. These results are supported Figure 5, which illustrates respondents' answers when asked where they preferred malls or shopping complexes to be situated.

Figure 5. Shopping location preference
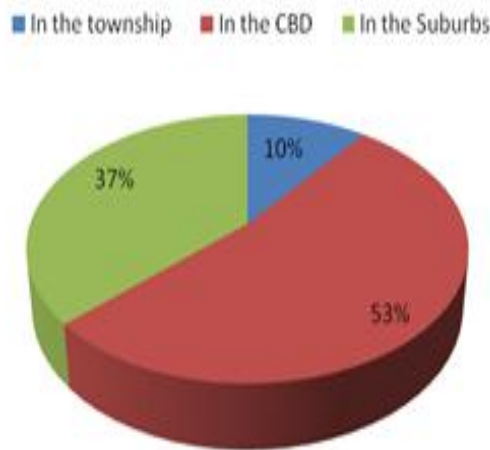
Majority (53%) of the respondents preferred to shop in the CBD, 37% indicated that they preferred to shop in the suburbs and only 10% said they preferred to shop in the township. There might be a number of reasons why consumers preferred to shop in the CBD and the suburbs. Figure 6 illustrates the reasons given by the respondents.

Respondents indicated that main reason they preferred to shop at malls was because the products offered were of good quality. Surprisingly enough, only 11% of the respondents went to shopping malls for recreational purposes (to watch movies etc.). Twenty seven percent of the respondents from the population found products offered at shopping malls were affordable therefore it was for that reason they shopped there. Twenty two of the respondents indicated that they shopped at malls because malls were closest to them than other generic stores.

Figure 6. Reasons for shopping at different locations


■ Shop at malls   ■ Shop at generic stores
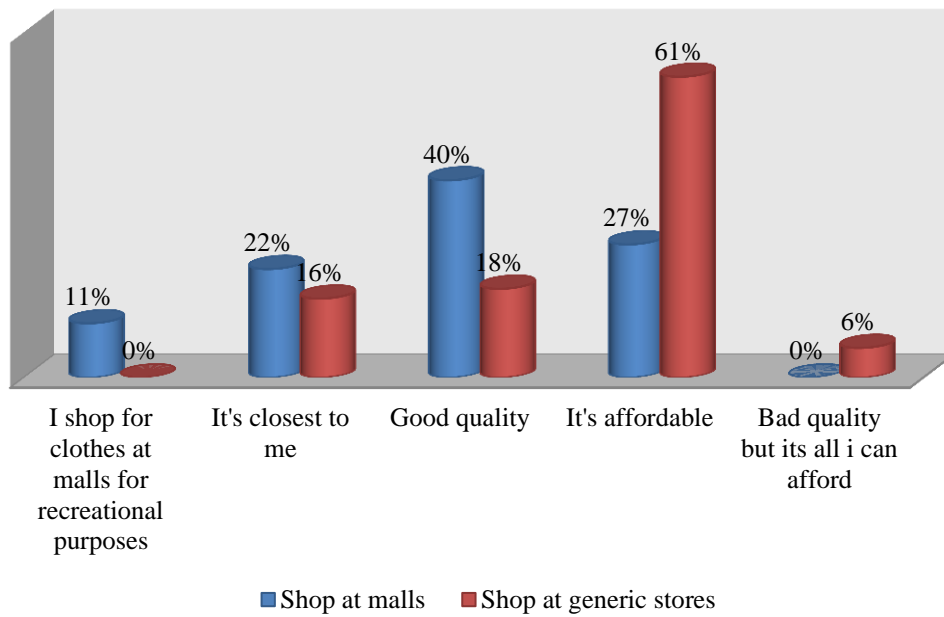
Reasons given by respondents for shopping at generic outlets varied compared to the reasons given for shopping at malls. Six percent of the respondents admitted that the items offered at generic stores were of inferior quality but was the only thing that they could afford. Affordability was popular among the respondents, 61% of them indicated that this was the reason they bought products items at generic clothing stores. The relative distance of these stores showed 16% of the respondents acknowledging this as a reason for shopping at generic stores.

5.3 Demographic data of respondents having answered the questionnaire

The demographic data on consumers' household expenditure patterns within the black urban areas of Tshwane covered the gender, age range and the racial group of the respondents. As per our discussion earlier, the term 'Black urban area' referred to underdeveloped urban residential areas in which non-white inhabitants live. These residents include black, coloureds and Indian individuals. Figure 7 represents the racial group distribution of consumers who completed the questionnaire.

Figure 7. Racial distribution of respondents
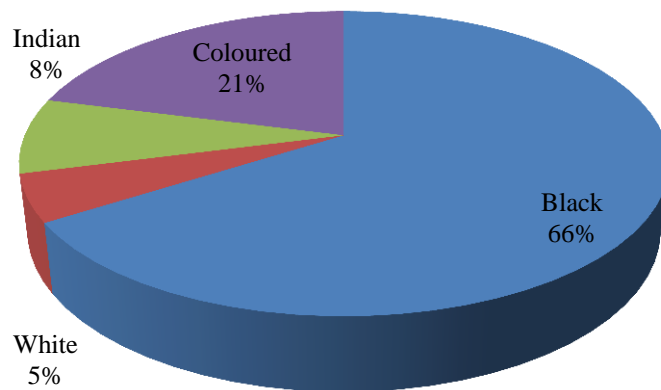
Of the respondents who participated in the research study, 66% were black, 21% were coloured and 8% were Indian. However, regardless of the perception given by the definition provided earlier, that black urban areas of Tshwane was restricted to black, coloured and Indian consumers; 5% of consumers who partook in the study were in fact white. The gender distribution among the respondents was equally distributed; 50% of the respondents who answered the questionnaire were male and equally so, 50% were female.
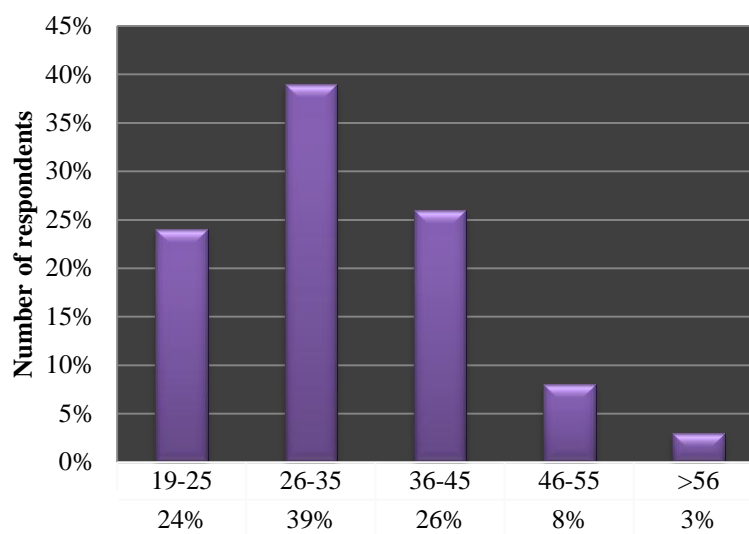
Figure 8. Age distribution of respondents

	19-25	26-35	36-45	46-55	>56
	24%	39%	26%	8%	3%

Figure 8 depicts the age distribution of the consumers who took part in the research study. Thirty nine percent of the respondents were between the ages of 26 and 35 years; twenty six percent were between 36 and 45 years and twenty four percent were between the ages of 19 and 25 years. The age group 46 and 55 represented only eight percent on the total respondents and only three percent were older than 56 years.

6 Discussion

The Income and expenditure study conducted by Statistics South Africa indicated that black households spent on average 8% of their income on clothing and footwear. This was a very high fraction of their income compared to what white households spent (3.2%). From this, the assumption could have been made that the results of this study would also reflect that consumers residing in underdeveloped urban areas of Tshwane spent a large percentage of their income on clothing and footwear. However, looking at the overview of expenditure, one can assume that these household do not have a large budget from which expenses are paid out. On average, 7.94% of the household income is spent on clothing and footwear. An additional 4.32% and 2.63% is spent on toiletries and cosmetics as well as on hairdressers and beauticians respectively. It is clear that these consumers take much pride in their physical appearances, hence providing us with an idea of the type of their characteristics. People who look presentable tend to be more confident and therefore sterner about their decisions. These are important characteristics since these may influence ones perception of what is valuable and what you feel is important.

The utility of shopping location was determined by the reasons respondents provided for shopping at the various locations. Under the given definition of 'utility of shopping location'; affordability, quality and convenience attributes that persuaded respondents' of the utility of shopping locations. These variables contributed significantly to the development of consumers' shopping preferences.

Critically looking at the situation, it is worthy of not to highlight that although consumers had ample generic outlets available to them within their immediate surroundings, they still preferred to shop in the CBD. However, this brought to light queries about the understanding consumers have of their real motives for shopping at shopping centres. 22 % of consumers indicated that they shopped at malls because it was closest to them; however, in many of the cases, individuals have to travel to reach these malls whereas generic outlets are fairly within reach.

Perhaps other motive for shopping at malls was to encounter an assortment of choice in products. This reason for assortment was not provided by respondents hence the acknowledgement of the possibility of this reason having an impact on results.

6.1 Practical Implications

The research findings showed some deviation to the expected results. Consumers said convenience was an important reason for shopping at malls, however, malls in the Tshwane region are relatively far and consumers need to travel to reach them. This was a clear indication that shopping preference was in a sense influenced by more than utility. Some factors consumers may not be consciously aware of therefore marketers need to anticipate these and bring them to the consumers' attention.

7 Limitations

The limitations applicable to this study need to be acknowledged and taken into consideration before any recommendations are provided. Firstly the sampling size that was used was very small (n= 38), therefore the

expenditure patterns determined cannot be generalised to represent the entire Black urban area community. They can only provide a picture of what and how the sample spent their household consumption income. Secondly, although the respondents received complete anonymity, it is possible that respondents didn't feel comfortable admitting to shopping at generic outlets therefore claiming to shop at well known retail stores to portray a positive image of themselves.

8 Recommendations

This study investigated various purchasing patterns of black consumers residing in black urban areas. The following are proposed recommendations that can be considered for further research:

• What can be concluded is that the wealthier suburbs of Tshwane are probably "over shopped" but not so for the whole of Tshwane. However, there is a real opportunity to locate large shopping centres in the township areas. Those wanting to take advantage of this opportunity can therefore conduct research.

• In addition, the study found that consumers residing in black urban areas of Tshwane had access to retail stores within their residential area; however, 39% of them never shop there. Further research can be conducted to understand the underlying issues consumers have with these stores that are good alternatives with good quality items.

• Consumers living in these areas could learn their preferences to shop at closer malls than travelling long distances to shop at malls located at suburbs. Further research can be conducted to determine the factors that can facilitate the process by which black consumers adapt their behaviour and develop preferences to shop at malls located within their immediate surroundings.

9 Conclusion

The primary objective of this paper was to investigate the household expenditure patterns and shopping patterns of consumers residing in underdeveloped urban areas of Tshwane. The data collected therefore reflects the consumption expenditure patterns of consumers residing in these areas. Although the sample size was not representative of the entire population, it provides a clear view of consumer spending patterns as well as shopping preferences. The results showed that a large amount of the households' income is spent on fulfilling basic needs such as food, clothing and shelter. However, in trying to lower costs, the quality of goods and services is not compromised. Respondents preferred to shop at malls and well establish retail stores such as Edgars instead of at generic outlets.

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