



Graduate School Of Business

A Residential Development Emerging Marketing Strategy For Moreland Developments

By

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CONFIDENTIALITY CLAUSE

DECEMBER 2004

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Due to the specific nature of the information contained in this research it would be appreciated if the contents remain confidential and not be circulated for a period of five years.

Sincerely

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116011

DECLARATION

I confirm that this dissertation is my own original work and comprises a synthesis of information from a variety of sources, all which have faithfully been acknowledged in the text along with primary data, gleaned from a survey undertaken by myself. This research has not been previously accepted for any degree and is not being currently submitted for candidature in any other degree.



Signed-Nishi Sooful



Date

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ABSTRACT

The current burgeoning property boom coupled with new opportunities created in and around Umhlanga has enabled Moreland (MD) to capitalize on lucrative property development. Although MD's residential division has attained phenomenal sales growth, this is however, not altruistically representative of a demographically multiracial South Africa. Demographic sales representation is exemplified by a discriminatory bias towards specific race groups. Residential sales portfolio reflects a discernible absence of Black African customers. Research undertaken for MD indicates that affluent Black Africans possess the wealth necessary for MD purchases. The problem statement delineates MD's desire to target and capitalize on emerging market trends by restructuring the division's strategy in the delivery of multiracial, especially elite black African, residential consumer patterns in Durban.

This exploratory study through perceptual mapping, investigates multiracial market perceptions of Durban's residential consumer behavioral emerging trends. Primary data collated from intercept interviews with: real estate managers representing two affluent Durban areas (Westville and Umhlanga); affluent Black professionals as well as respondent data gleaned from the research questionnaire survey, is comparatively evaluated with similar studies conducted in America, United Kingdom, Australia and the Far East through an intensive literature review. Distinguished global emerging residential trends supplemented by eminent SA emerging patterns are identified for the assessment of local applicability.

The amalgamation of primary and secondary data is utilized as a platform to identify strategies that would enable Moreland Developments to materialize the company's objective of attaining enhanced market expansion through the fulfillment of multiracial target consumer needs. This study encloses a strategically analytical exposé, outlining the implementation of strategic options available to the company. It is envisaged that through the implementation of a selection of apposite strategies necessary to capture and exploit a lucrative multiracial emerging target market, MD would elevate its position to carve an enviable niche of a market leader and global player in the residential arena. Identifiable areas for future research are proposed.

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CHAPTER 1: INTRODUCTION

1.1 Introduction to Moreland Developments

Moreland
Developments
(Pty) Ltd, the
renowned



property division of the Tongaat-Hulett group is designated with launching and promoting the Groups specially identified land holdings to the market by focusing on the development of lifestyle entities and the environment. The company appropriately named “**Moreland**,” as typified by its green logo effectively symbolizing growth are custodians of land holdings primarily, though not exclusively, in the area north of the Umgeni river. The Moreland name is appropriately enhanced by its synonymous motto; “*Developing a better future with you.*” The company structure with regards to the disposal of serviced land is categorized according to commercial, industrial, residential and resort developments.

The current burgeoning property boom coupled with new opportunities created in and around Umhlanga has enabled Moreland (MD) to capitalize on lucrative property development. MD is committed to long- term viability of the region for optimal positioning and integration. The New Town Centre offers opportunity in the pristine surrounding of the Kwa-Zulu Natal coastline. Substantially increasing land values places MD in a formidable position to succinctly exploit the current property boom. Low interest rates and a stable economic environment in South Africa support the property market. Durban’s current economic policy is illustrated by escalating property prices increasing to peak rates of R15 000/square metre level. The variables that geographically illustrate these dimensions are pictorially illustrated in (*Appendix A*).

The culmination of Moreland's vision has reached fruition in the development of La Lucia/Umhlanga/Mount Edgecombe (The Ridge) as the most sought after balanced quality of life environment in SA. MD's investment during the past decade has grown enormously representing R10 billion. 2003 has been an outstanding financial year with revenues increasing by 54% to R226m and profits (before interest and tax) up to 340% to R90m, generating more than R117m cash. MD's phenomenal investment growth can be attributed to the following 3 factors:

- Development of quality projects
- Use of international planning and development skills
- Magnificent real estate

Moreland Developments works in correlation with eThekweni and other municipalities, which has a spiraling impact on infrastructure investment in Durban and KZN North Coast in job creation and economic growth of the region. A decade of investment has culminated in MD developing 1000 hectares of prime land. Property development industry in SA has burgeoned into a massive multi billion rand business. Possessing prime land, a solid property market and a cascading Durban economy, adequately equips MD to face a promising future.

Within this context, this thesis will analyze global residential property market trends based on consumer purchasing behavior. With the achievement of consumer needs being the optimal stage of the resident relationship evolution and the identification of a continuum of perceptions, attitudes, beliefs and behaviors it is intended to analyze whether such a mutually exclusive relationship would noticeably enhance residential property development in Durban. This study focuses on the development of an effective residential marketing strategy that is appropriate to consumer needs.

1.2 Background of the research

Moreland's current corporate and business level strategies have achieved remarkable growth. Umhlanga Ridge is one of South Africa's premier business destinations. The envisaged vision of developing the East Coast as a lucrative region has culminated in a new Urbanization, which was officially launched in November 1999. This is reflected by a

distinguishable commercial and industrial presence. Built on superlative examples of planning worldwide, the region has attracted flagship offices of the biggest companies and the biggest brands namely the Umhlanga hospital, Unilever, Gateway, Deloitte and Touche, East Coast Radio and many more. The beautiful Palm Boulevard adjunct to the Gateway Theatre to be completed in the next 18 months will transform the centre of the Umhlanga Ridge New Town through the erection of an attractive piazza, a pedestrianised precinct with a system of interlocked squares. The development of the Zimbali coastal forest was managed with care and attention to the environment. Plans for a gigantic nature reserve and botanic garden at Umhlanga is gaining momentum.

Moreland is currently striving to increase market share by capitalizing on Durban's economic potential. Residential development offers substantive opportunity for growth relative to the commercial urbanization achieved. MD is currently striving to enhance its market share especially in the emerging market. With regards to residential development however, attained growth is not altruistically representative of the demographics of a multiracial South Africa. MD real estate sales development reveals a bias towards particular race groups. Nominal classifications of the population reflect an explicitly dominant clientele of two particular race groups namely, White and Indian customers. (*Illustrated in figures 1.1 to 1.5*)

Thus **skewness** in the central tendency of residential sales exists. The major challenge of the company is to enhance the **residential portfolio** and service delivery relative to the potential of the market. The potential of the market is indicated by the **population proportion of incidence**, which is equal to the number of elements in the population belonging to the category of interest, namely residential needs. The company therefore needs to augment the success attained in residential development by creating focus on precise customer targeting and positioning, brand awareness supplemented by branding strategies, loyalty schemes and affinity marketing techniques through the realignment of the company's marketing mix appropriate to the needs of the new emerging market. This necessitates for the capturing of a plethora of needs as represented by a multi racial market. As housing in general is characterized by individual sentiment it would be a formidable challenge for MD to reposition itself in this competitive industry in the offering of a comprehensively enticing package.

CLIENT INTEREST REPORT: Data analyzed as at 19-0CT-2004

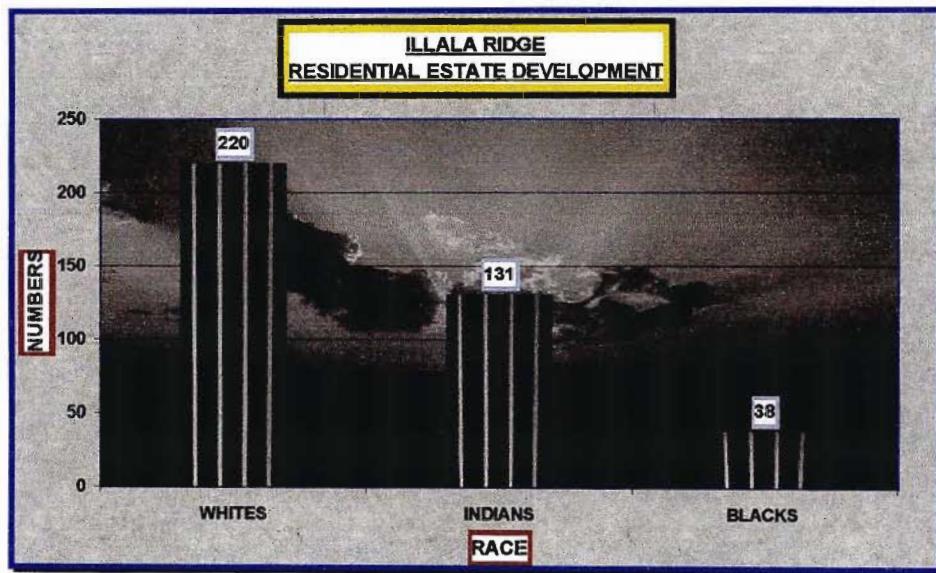


Figure 1.1 All project features Illala Ridge

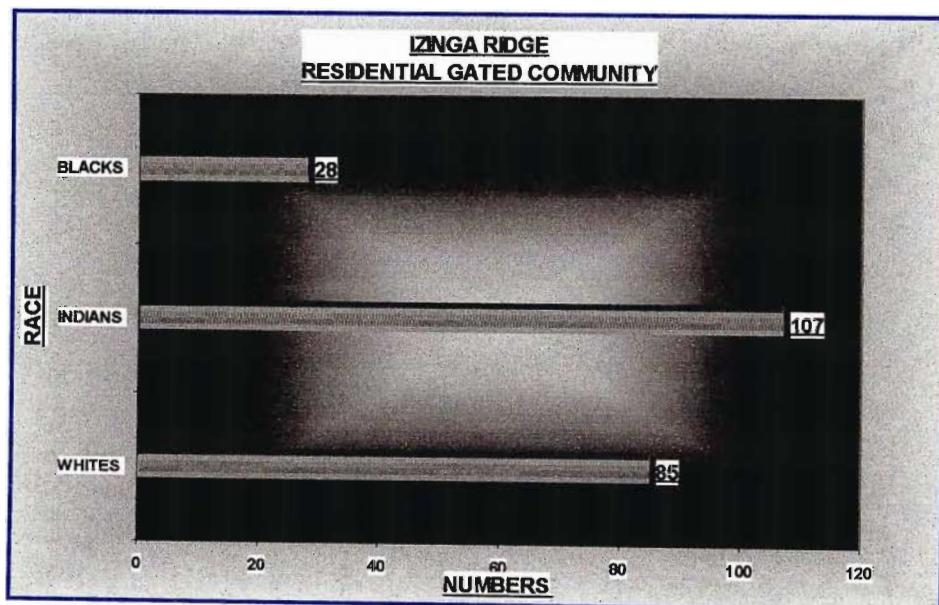


Figure 1.2 All project features Izinga Ridge

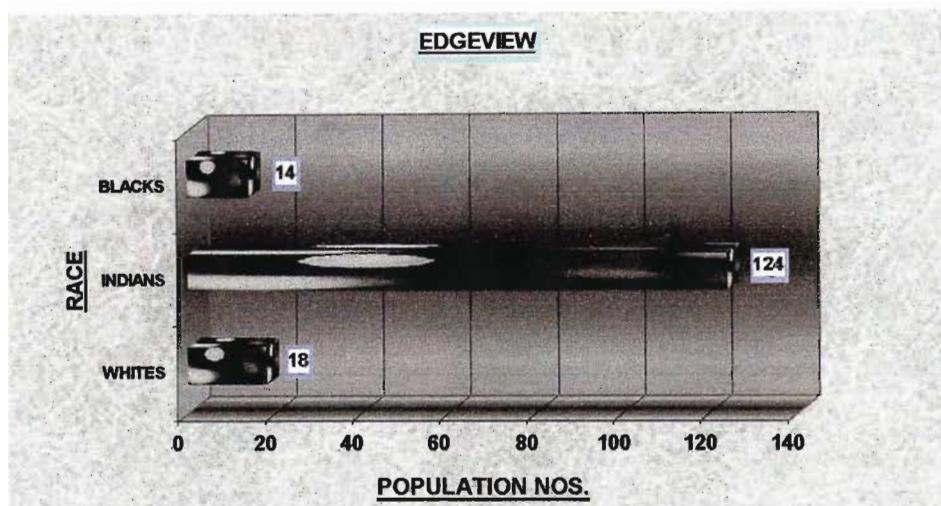


Figure 1.3 All product features Edgeview

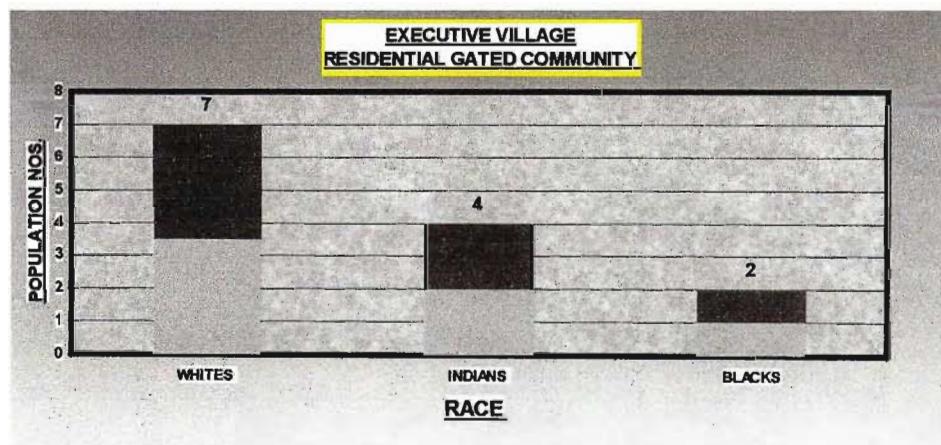


Figure 1.4 All product features Executive Village

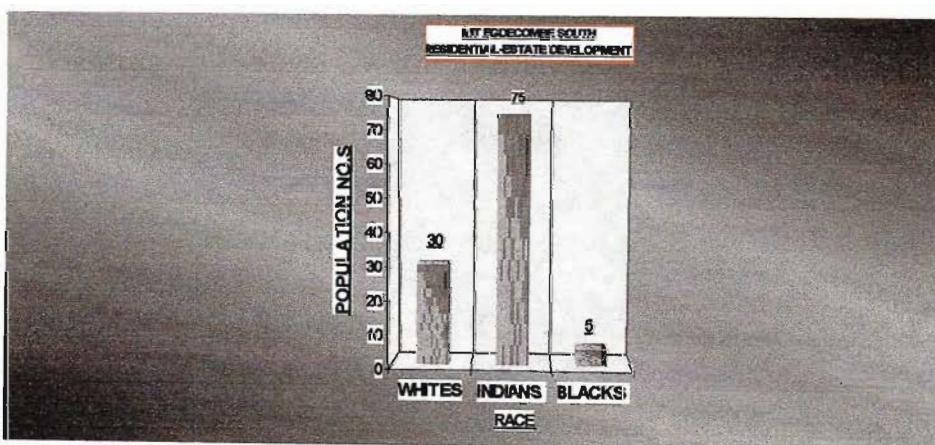


Figure 1.5 All product features Mt Edgecombe South

The above data is collated from company client confidential report reflecting a price range from R1m to R1, 25m.

Literature survey supports a two-fold strategy. Primarily, global residential property market developments will be analyzed. Secondly, consumer-purchasing behavior will be examined. Increasing industry competition has further expanded the range and quality of resident services provided by managers of market rated and affordable apartments. According to 2004 Legislature and regulatory: Property and asset management dictate that resident safety and property economic viability is ensured according to the National Multi Housing Council (NMHC).

According to *Market Dynamics*, the publication by the Transportation Research Board, an essential tenet of the New Urbanism is that existing as well as new activity centers of metropolitan regions should be developed to higher densities and a greater mix of uses. New Urbanism suggests that if centers with different commercial functions are numerous and linked by high quality transit service, people will significantly reduce their use of automobiles for both commuting and nonwork travel. Working against this ideal of transit-oriented development (TOD) as an organizing concept for urban design are strong market and socioeconomic forces that have created the current highly variegated commercial structure characteristic of urbanized areas in the United States. (<http://Market Dynamics and Nonwork Travel Patterns Obstacles to Transit-Oriented Development>)

Proponents of New Urbanism believe that the number and length of automobile trips will be reduced if neighborhood development is more compact and if housing is within walking distance or a short bicycle ride of a core commercial centre. They suggest this design concept, transit-oriented development (TOD), should be applied to existing as well as newly developed activity centres of metropolitan region.

Bookout, L. W. suggests that the challenge is to know the market that planning seeks to restructure, that is, to gain more information on the "ever-changing needs, preferences, and aspirations of people who make up communities." Howe and Rabiega posed a similar question after finding that the attitudes of members of the Oregon planning profession were negative toward strip malls and positive about "urban village" forms of commercial structure: Calthorpe, a leading proponent of the New Urbanism, acknowledges this challenge: Compact,

mixed land use is probably more feasible in new development including planned unit developments and new towns and in some cases of infill, than it is in existing centres where major redevelopment is required.(Calthorpe, P :1993)

"The Future of Branding in Residential Utilities", USA and Europe investigates brand values as means to drive emotional resonance between the customer and their utility to strengthen the customer relationship and resist further price pressure. Detailed examinations of changing customer needs and wants from the brand, and case studies of today's brands provide critical assessment of the direction brands need to take to ensure maximum returns on investment. (<http://Datamonitor - The Future of Branding in Residential Utilities - Market Analysis Report>.)

The report, "*The Future of Branding in Residential Utilities*," published September 2002, indicate that utilities have been focusing upon competitive price and service as the means to differentiate them from the competition. Datamonitor predicts that such an approach will have less impact on the customer, as these determinants become requirements of the relationship rather than added-value components. Regional utilities have demonstrated the power of emotional attachment between customer and supplier. Local and regional bonds, however, can only be built over time. All utilities aiming to develop customer loyalty outside their home areas must look to develop emotional brands with deep customer resonance. **Premium branding** is expected to occur by 2007, but only if utilities learn to "live the brand". This involves all aspects of the residential utility being positioned around the brand values. At present, even customer service staffs are failing to consistently demonstrate this, prompting loss of credibility in the brand.

Literature surveys highlight the following key factors:

- Current brands are assessed in relation to customer retention, acquisition and development in key European markets and the United States.
- In depth analysis of customer wants and needs from the brand, and the difficulties that utilities face in overcoming apathy and time scarcity barriers.
- Analysis includes case studies to establish best practice and actionable insights to develop an emotional connection between brand and customer.

- Forecasts and analysis assess how brand emotion will become the driving force ahead of price in the next five years.

Market research and analysis of these surveys:

- Establish the challenges facing brand development, and how they can be overcome.
- Illustrates the unvocalised needs of the customer, allowing a new direction to be followed for brand strategy.
- Illustrate values ripe for development to escape homogeneity whilst improving customer involvement.
- Highlight case studies that provide real examples of brand development, including Datamonitor's assessment of brand strengths and weaknesses to direct best practice.
- Preempts a future focus report illustrative of how the market will develop, and how utilities must act to take full advantage of the branding opportunity. .
- Distinguishes Datamonitor for identifying three integral scale costs: branding, customer service and wholesale procurement. (<http://Datamonitor - Strategies for Small and Regional Utilities .The challenges of scale in energy markets - Market Analysis Report.htm>)
- Specify variables needed to optimize performance that include comparing the advantages and disadvantages of growth and cost reduction to determine the most effective competitive strategy.

According to property development researchers, Cao, T.V. and D.C. Cory, who outline mixed land uses, land-use externalities and residential property values, the proximity of non-residential land-uses has an effect on residential property values. The authors construct a theoretical model of consumer behavior and test the generalized model empirically, using the city of Tuscon, Arizona. The model results indicate that the effect of non-residential activity on property value is a priori indeterminate and depends on the relative strength of positive and negative external effects generated. The empirical test showed that over low ranges, increasing the amount of economic activity tends to increase surrounding property values.

According to researchers Li, M.M. and H.J. Brown, investigations into micro-neighborhood externalities and hedonic housing prices test the impacts of micro-neighborhood variables on

housing value. Three types of micro-neighborhood variables are examined: aesthetic attributes, pollution levels, and proximity. The empirical findings suggest that proximity to certain non-residential land uses affects housing prices by having a positive value for accessibility and a negative value for external diseconomies (congestion, pollution, and unsightliness).

1.3 Motivation for the research

In a fast paced cutthroat industry of property development, it is imperative for companies to sustain a competitive advantage to capture the diverse needs of the market. The volatile residential industry offers a basic service delivery of a necessity in the form of a continuous consumer need. The importance of quality housing cannot be underrated. In a value driven business world greater emphasis is being placed on quality investment. Modern purchasing behavioral trends illustrate not only a prioritizing of home investment as opposed to renting, but identify real estate investment as the primary need of the consumer. Residential development therefore offers constant opportunity for growth relative to consumers transforming needs.

The effects of globalization have significantly increased market opportunities for Moreland. As the residential industry offers a tangible product this accelerates the competitiveness of the market. Less tangible aspects such as branding, reputation, heritage, quality of development, impact on enhancing value to the development. These issues are pertinent to Moreland's policy of land development in accordance with its vision of benchmarking to internationally acclaimed standards.

The innovation and strategic fit of the company has recently evolved to unsurpassed growth levels. Competitive dynamics based on competitive variables identify the relative strength of Moreland. Opportunity for Moreland is reflected by imminent challenges to retain and enhance the competitive technology that the company so successfully has achieved. With regards to the implementation of the company's business level residential strategy, moderate success has been achieved. According to market segmentation LSM 9-10 professionals characterize the target market for the company's residential developments analysis.

Aggressive market penetration is required to ensure distinguishable success in this sector. Feasibility can be utilized by capitalizing on the company's core competencies to successfully penetrate this target market. New product development and product differentiation would further target a lucrative niche within this target market. A comprehensive product needs to be developed that would attract multiracial elements of the target population.

Facing a defining moment, many strategically pertinent decisions need to be made to catapult the company onto the path of continued success. Strategic analysis of the business level strategy indicates a focused differentiated strategy, which would create dominance in the industry. A corporate level strategy needs assessment highlights management challenge to sustain the company's phenomenal growth. Precise perceptual mapping would position Moreland in the minds of the defined prospects as the leading land developer in South Africa. Through making optimum use of core competencies and integrating these with the external competitive environment Moreland could attain market leadership. Capturing untapped potential in the market is required as well as targeting markets from the company's competitive industry.

Moreland identifies these opportunities necessary to expand its global reach in order to sustain future growth and maintain a market leadership position. A key success factor to expanding its global reach will be the understanding of the cultures and attitudes of each society. The company has at its disposal both tangible and intangible resources. These resources can be purposefully integrated to furnish capabilities in functional areas. These combinations of resources and capabilities can serve as core competencies to develop competitive advantages. In order for Moreland to be a first mover the company needs to take an initial competitive action in order to build or defend its competitive advantage and improve its market position. As Moreland is in a fast-cycle market that is characterised by unpredictability this necessitates for the company to strategize proactively on a corporate and business level. **Competition response strategy** needs to be developed to respond to competitors' attacks by uniquely combining value-creating resources and capabilities.

Research surveys investigate a better understanding of consumer preferences. This involves identifying the tangible marketing activities that create intangible connections that are

invaluable, as strong brands rest on compelling and distinctive emotional connections with their customers. The key success factors for Moreland marketing in emerging markets would be enhanced growth, profitability, global branding and strategically positioning South Africa not just as an emerging market, but as a competitive first world country major global player. It involves a deconstructive analysis of value creative activities, which provide information on the status of the firms industrial profit pool.

Thus the need for Moreland Developments to realign its competitive strategies has been prioritized. The gap between customer expectations and perceptions need to be filled. The market research survey will indicate in what areas the implementation for enhancement could be embarked on. A study needs to be conducted in Moreland's residential business unit to fortify the company to operate at optimum.

1.4 Value of the project

A good business case can be made for improving the residential business unit of the company on grounds such as:

- Reducing money spent on unrewarding developments.
- Reducing time and labour spent on unproductive developments.
- Reducing money spent on research.
- Preventing unprofitable developments.

This study will assist the company by identifying strategies and market factors that will add value and enhance business in a highly competitive environment on grounds such as:

- Efficient and effective residential management being recognized as an indication that the company is being managed competently.
- Measuring the current performance of the business units.
- Comparing the residential unit's achievement to the company's other business units.
- Evaluating the company's success against other local industry benchmarks.
- Contrasting Moreland's results to international standards.
- Addressing whether the current residential performance is appropriate to Moreland.

- Revealing how effective the residential implementation management systems have been.
- Highlighting areas that need to be improved.
- Implementation of the resulting recommendations would enhance productivity and performance of the corporate organization by evolving brand equity.

1.5 Problem statement

How can MD's Residential unit target an emerging market by optimising the divisions potential in the delivery of elite multiracial consumer needs in Durban?

Hypothesis

The hypothesis, that has been formulated is positive in that it proposes that residential development strategising will result in increased emerging multiracial target market customer satisfaction.

H0: Perception that residential developments emerging market strategy cannot achieve success in capturing the black African target market.

H1: Perception that residential developments emerging market strategy can achieve success in capturing the black African target market.

1.6 Objectives of the study

- **To determine:** -

The relationship that exists between residential development and consumer purchasing behaviour.

- **To evaluate:** -

What strategies the residential division can implement to enhance business success from the consumers' perspective by adapting to appropriate purchasing trends.

- **To establish:** -

Recommendations that the residential division can modify to the changing market dynamics and to propose suggestions on branding, Client Relationship Management (CRM) and affinity marketing techniques on a business and corporate level.

1.7 Research design and research methodology

1.7.1 Design and data collection

The research identified necessitates for an exploratory study to be undertaken. A formal study to test the hypothesis will be conducted. Since the objective is to determine the relationship and effect of residential developments on business maximisation and return on investment, a **causal study** will be undertaken. This will take the form of a **cross-sectional study**, as it will represent a specific measurement of a point in time. A case study analysis will be appropriate based on both primary and secondary data as it can extract explicit details on the perception of the role of the residential division.

Primary data will be collated through an **interrogation/communication** study through the following methods:

- **1.7.1.1 Experience survey**

This will be undertaken in the form of an investigative format (personal interviews) with unit managers from two popular Real Estate Agencies based in Umhlanga and Westville.

- **1.7.1.2 Experience survey**

This will be undertaken in the form of an investigative format (personal interviews) with Moreland Developments purchasers.

- **1.7.1.3 Experience survey**

This will be undertaken in the form of an investigative format (personal interviews) with interested Moreland Developments non-purchasers.

- **1.7.1.4 An intercept study questionnaire** following strict ethical guidelines will be administered at a specific time to Unilever staff in diverse positions across the various divisions covering all departments, in a hard copy format.

The design is ex post facto since the researcher will have no control over the variables of the marketing environment and its stakeholders with regards to manipulating them. The interpretation of the results can be influenced negatively by the subjects' perceptions especially if they attempt to please the researcher, guess the hypothesis error by behaving less naturally.

1.7.2 Sampling design

A nonprobability, judgement-sampling study will be undertaken since the sample criteria are Unilever employees. This will be accurate and precise since ensuring that interviewees that specialize in the various market segments be proportionately represented will eliminate **systematic variance**. A minimal **sampling error** will be expected since no sample can fully represent its population.

The personal interview will be conducted with four Real Estate Managers, ten purchasers and ten non-purchasers and a structured questionnaire will be administered to 100 interviewees. The estimated target response will be at least 95% of the total number of respondents.

1.7.3 Measurement

The hypothesis is positive in nature as it proposes that residential development strategising will enhance business opportunities. The mapping rule for the measurement will be interval data, as most attitude scales are presumed to be interval. Scoring will be undertaken positively. The researcher will ensure that the construct for measurement is valid and reliable. However, instruments may yield incorrect readings due to **error sources** beyond the control of the researcher.

1.7.4 Measurement scale

The construct will be based on the Rasch model and will consist of:

- Rating scales comprising of **conjoint analysis** as it measures complex decisions with a primary focus of the explanation of consumer behaviour with applications in product development with a **hybrid expectation scale**.
- Ranking scales will comprise the comparative scale.

1.7.5 Ethics

Confidentiality of the respondents to the questionnaire will be assured and guaranteed to ensure that the respondents are not victimized for sensitive reasons. Respondents will not be asked to identify themselves in the questionnaire. Respondents that have participated in the interviews will also be assured of their confidentiality with a written undertaking.

1.7.6 Data analysis

The data collected will be analyzed through cross tabulation. The marketing consumer variables may highlight correlation and/or causal relationships. The questionnaire will generate quantitative responses. Once the data has been coded, descriptive and inferential statistics will be used. The questionnaire will consist of open and closed ended questions. Parametric testing will be used.

1.8 Limitations to the project

- This research is restricted to Moreland's residential division. Broader marketing issues may be inferred to the company's other divisions.
- This research could only be administered for MD, as its competitors would not jeopardize themselves by divulging strategies or co-operate with its competitor.
- The aspect of residential development is broad and this research will specifically be limited to MD's attainment as at 2004.
- The research undertaken will not be of an experimental nature, even though they may. The recommendations will offer possible solutions rather than tried and tested options.
- Financial reports of MD's other business divisions are not available.

- The sample population for the intercept questionnaire is limited to two selected companies.

1.9 Structure of the study:

The study will comprise five chapters, the first chapter will present the proposal of the study and the remaining four chapters will be as follows:

Chapter Two: Literature Review

An overview of the most recent literature such as journals, reports, internet and marketing surveys in relation to residential development in the context of modern trends will be explored with specific focus on niche market segments. Consumer purchasing behavior needs and trends will further be examined. The relationship between the literature and the problem statement will be investigated. Reference to the diverse business strategies as well as marketing theories will be made to determine the gaps that exist in the company's current policies. Pertinent theories such as aspects of the marketing mix, targeting and positioning, consumer buying model, client relationship marketing, branding and new product development will assist to provide the basis for data analysis in Chapter 4.

Chapter Three: Research Design and Methodology

Primary data through an **interrogation/communication** study will be undertaken and data will be collated through personal interviews and the administration of a questionnaire. The sample frame for the **experience survey**, which will be derived from personnel with appropriate experience, will consist of real estate managers, MD's purchasers and interested non-purchasers. The sample for the questionnaire will be drawn from Unilever employment to facilitate accessibility.

Chapter Four: Results and data analysis

In this chapter detailed and all- inclusive focus will be given to the analysis of the case study and the primary data captured. The information will be evaluated against the theory to measure the status of residential development on a local and global level so that recommendations can be made.

Chapter Five: Recommendations and Conclusion

This chapter summarizes significant conclusions and provides recommendations to the residential department on diverse strategies that could be implemented to solve the research

problem and meet the objectives initially set out. In addition, pertinent features and limitations of this project are discussed and appropriate reflections on avenues for further research are presented. Based on the theory, the primary and secondary data, suggestions and recommendations for future residential development projects will be presented in order to optimize business potential to maximum profitability.

1.10. Summary

This proposal has given an expansive overview of the foundation, purpose of this study and what it intends to achieve. This will enable the researcher to obtain approval from the residential development project manager to proceed with the investigation as well as secure a specific budget for costs entailed for the administration of this research survey.

In order to develop a precise exploratory study, it is important to first examine the literature that exists on the topic, the various strategic and marketing tools and theories. The literature review contained in the next chapter will give the reader an explicit understanding of existing strategic and marketing applications in the residential development industry that can enhance value in providing a unique insight into target and niche marketing perspectives.

CHAPTER 2:LITERATURE REVIEW

INTRODUCTION

Emerging markets offer limitless lucrative expansion opportunities to residential development. South Africa's prominent property development companies are strategically poised to capture these productive opportunities necessary to develop and implement a globalization strategy to enter emerging markets. Niche target segmentation necessitates for the business to develop a tactical marketing strategy that necessitates positioning its product appositely to consumer behavioral trends and needs. A successful marketing strategy requires a highly evolved integrated ***marketing mix*** of product, price, promotion, place, people, process and physical environment. The organization needs to communicate with the customer through the strategic window. The marketing mix correlate a set of interrelated entities that have to be set in conjunction with one another and in the context of the strategic window presented. The relationship between the consumer and the product provider often defines the success of the product provider. The ***moments of truth*** experienced by the consumer give the consumer a snapshot of the company's service quality, contributing to the consumer's overall satisfaction and the likelihood of continuing the interaction with the company in the future. Analyzing and understanding customer perceptions and expectations are therefore paramount. This allows for effective and efficient service provision necessary for a successful market expansion policy.

The continuous rapid growth of emerging markets has become the cornerstone of residential marketing. These emerging markets boast significant sources of competitive advantages and market growth potential. Given the relative attractiveness of emerging markets, many companies strategize entering these profitable markets to increase market share in the achievement of procuring sustainable growth.

However, the advantages of market growth potential is simultaneously prejudiced by deconstructive contributors, where emerging markets present significant risks such as infrastructural arrangements, market volatility, political volatility, social volatility and

cultural divergence. These risks can rapidly transmute into declining company performance through the loss of market share.

It is necessary for companies contemplating emerging market entrance to ensure that they have undertaken an industry analysis and benchmark their organizational strengths and capabilities to the distinctive profile characteristics of emerging markets in order to determine an appropriately effective marketing strategy.

Against this backdrop, this literature review will focus on the residential development industry necessary to develop the caricature of consumer needs illustrated by the resident relationship evolution. It is observed that South African property development companies have the ability and potential to capitalize on the substantive opportunities that emerging markets proffer provided that they understand the dynamics, complexities and sensitivities of these emerging markets, explicitly recognize that their traditional business models and operational models require transformational adaptation and conceptualize the implementation of their marketing strategy needs to be re-engineered appropriate to the strategic fit of targeted emerging markets marketing mix.

Companies are consistently confronted with volatile changes in the market, thereby preempting possible changes and instantaneous response in order to capitalize on opportunities or fortify against threats in the achievement to envisage success. In this dynamic business environment customer needs are constantly changing in a variety of fundamental ways.

Emerging markets present unique opportunities and threats to these companies. Thus, a scenario analysis necessitates for companies to orientate themselves steadfastly to surpass the challenges and optimize to maximum the substantive opportunities that emerging markets have to offer, whilst simultaneously taking cognizance of the threats. The residential sector is divided into three subsectors, namely: mass housing, middle-income housing and the high-end residential market or what is alluded to as the luxury market.

2.1 EXTERNAL ENVIRONMENT

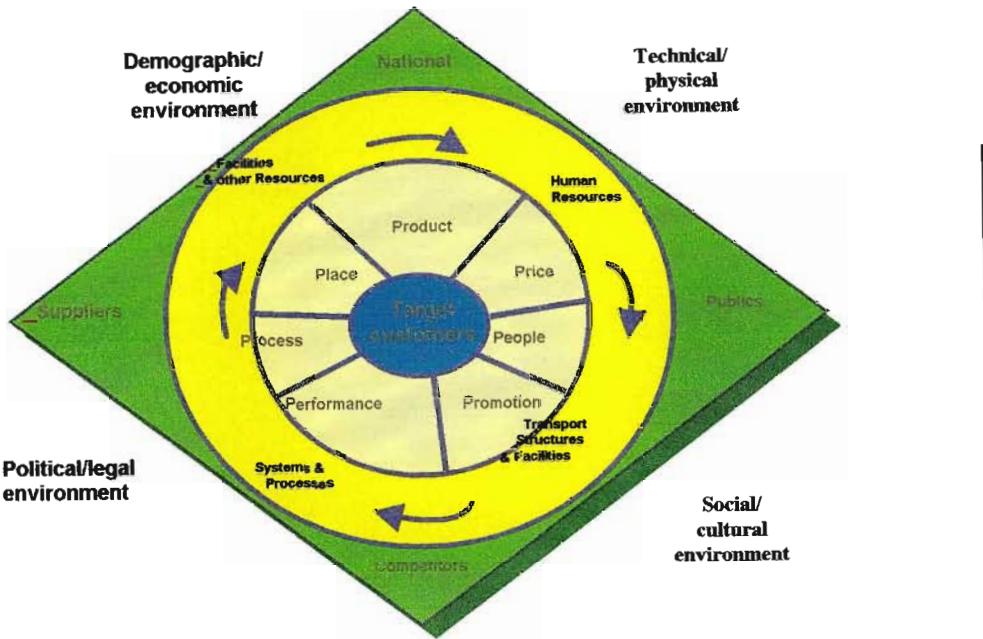


Figure 2.1 Marketing Mix 7P's and environment impact on customer.

Source: <http://www.thebevnet.com/reviews/documents>

2.1.1 Economic/Demographic Environment

Literature surveys highlight economic/demographic environment to be paramount importance. From a demographic perspective, the majorities of Emerging (EM) countries have relatively high populations as well as relatively accelerating population growth rates and can therefore be viewed as offering sustainable market growth potential. EM's constitute the major growth opportunity in the evolving world economic order today (Arnold & Quelch, 1998: 1). They are predicted to account for 48% of global GDP growth (Kennedy, 2002:11). There is also an increasing spread of English as a means of communication, which will facilitate entrance into a new market (Kennedy, 2002: 6). Market segmentation is however vitally imperative. Refer to the pyramid hierarchy of income distribution in the emerging and less developed countries in (*Appendix B*).

Whilst there appears to be a tendency towards rising per capita incomes in emerging countries, this is not an altruistic illustration necessarily characteristic of all emerging countries since such increases will vary countrywise depending upon diverse factors, which epitomize change over time. From an economic perspective therefore, it is necessary to ensure that, whilst the market exists, the market is able to afford the specific product being introduced on a sustainable basis. Related to this is the issue of the nature of the product itself, as categorized by a necessity versus a luxury product. Allied to this is the existence and threats of local and international competitors, accompanied by the potential impacts of competition.

Cognizance should be paid to the expose that developed country companies basic marketing infrastructure, is largely absent in EM's. EM's encompass minimal market data, nonexistent or poorly developed distribution systems, relatively few communication channels with both a lack of regulatory discipline and a propensity to change business regulations frequently and unpredictably. (Arnold & Quelch, 1998:2) In addition, EM's are characterized by high levels of product diversification within or between countries, widespread product counterfeiting, and unstable power and loyalty structures within complex networks of local business and political players. (Arnold & Quelch, 1998: 2)

Related to this is the fact that traditional models and frameworks used for entering new markets have been based on developed country economies and markets and as such, may have limited value in EM's.

2.1.1.1 International economics

A. Global

International economics indicate that during the early part of this decade Australia's growth was out of sync with that of most of the rest of the world, which languished. Although in the US, third-quarter GDP growth was high at 4%. This was possible as Australian consumers had much lower debt-service ratios then than now and Australia's structural current account deficit was lower. Now that the world is even more intra-dependent, Australia will be strongly influenced by events in the US, Europe, Japan and mainland Asia.

In the US, Europe and Japan, consumers seem to be retreating. Retail and motor vehicle sales have topped out. Manufacturing and non-manufacturing indices are becoming more patchy.

The property boom has topped out in Britain, and is losing buoyancy in the US. China's property market is also balancing on a knife's edge.

http://www.research.smu.edu.sg/or/Research_Newsletter/Aug2004/phang.htm

Increasingly the locomotives of the world economy are losing traction, and the property bubble is becoming dangerous. Higher oil prices have yet to influence consumer and business behavior in a meaningful sense, but they will become an added problem if they persist. Optimism on the political front is decreasing. Terrorism is not dead, the intervention in Iraq seems to have no boundaries or time-frame, and the Palestinian solution seems distant.

To attain corporate profitability, success lies in increasing productivity. Many companies, including residential developments, will do well by finding niches in expanding markets and providing first-rate products in a timely manner.

B. Singapore

Residential developments in Singapore necessitate for this country to be acclaimed as a first world archetype, which developing countries can emulate. Singapore epitomizes modern lifestyle as characterised by discernable apartment housing. A survey of the economical activity in Singapore indicate that with more than 90% of its citizens living in their own homes, Singapore has one of the highest home-ownerships in the world. At the same time, Singaporeans are also the highest savers in the world, putting aside 57 cents for every dollar they earn.

In most countries, consumption has always been one of the most important components of total spending. The ratio of private consumption to GDP is fairly stable across countries. In the US and the UK, the ratio has hovered around two-thirds from the 1960s to 1990s, increasing to around 70 percent in recent years for the US. In Singapore however, the ratio has declined steadily from 82 percent in 1960 to 43 in 2003, earning Singapore the distinction of having the lowest such ratio in the world. (The Journal of Housing Economics, Vol.13, No.2 June 2004)

Theoretically, house price changes, through their impact on a household's housing wealth, should affect its consumption. This is known as **housing wealth effect**. In the aggregate, there may be some netting out as increases in housing prices benefit those aiming to trade

down or exit the market and harm those who are waiting to trade up or enter. In addition, house price increases are usually accompanied by positive consumer sentiments and increased housing transactions, increasing the demand for non-housing goods and consumer durables. There is also a collateral enhancement effect where households can cash out part of their home equity through loans and refinancing if these instruments are available.

A number of recent empirical studies found that changes in housing wealth in the OECD countries are indeed positively associated with changes in total consumption. In the US, the Federal Reserve Board estimated that for every additional dollar rise in housing wealth, total consumption in the economy rises by 3 to 5 cents. The Bank of England found that there are significant housing wealth effects in the UK.

Using an econometric technique that allows for households to respond differently to an increase versus a decrease in expected income and housing wealth it was found that household consumption behaviour does not conform to that expected by the life-cycle/permanent income hypothesis. The hypothesis, which forms the basis for most empirical research in this area, suggests that consumers' expenditure depends on human capital as well as the value of their assets. Housing wealth is the single most important component of wealth in household's portfolios. In Singapore's case, liquidity constraints rather than myopic behaviour on the part of the homeowners seem to be the main reason why the hypothesis does not work. Households are either unable or unwilling to borrow against uncertain future work income as well as withdraw housing equity to finance consumption.

Interestingly, both an expected increase and an expected decline in house prices are found to have a dampening effect on consumption, although the effects are much more significant in the latter than the former. This asymmetric result could be attributed to strong bequest motives and the fact that downsizing is not widely practiced in a market dominated by apartment housing. Moreover households may view housing as a risky asset with uncertain value, leading them to regard gains as temporary and losses as permanent.

The results suggest that it would not be appropriate to generalize the recent empirical findings for OECD countries, as changes in housing wealth are unambiguously associated with changes in aggregate consumption to Singapore. Such a conclusion has considerable implications for policy makers trying to influence the level of consumption in the economy. (The Journal of Housing Economics, Vol.13, No.2 June 2004)

2.1.1.2 South African Economy

A. National economy

South Africa is set to be a global leader in an economic area of unrestricted growth illustrated by the escalating strength of the South African rand weighed against the US dollar. Finance minister, Trevor Manuel's expansionary fiscal and monetary policies to stimulate economic activity is accompanied by decreasing inflation rates, tax reductions and an increase in government spending. Rapid population growth in South Africa has resulted in large increases in the demand for public goods and services, exacerbated by the rapid rate of urbanization in recent years. As people have flocked to the cities, increased pressure has been placed on government spending particularly in areas such as infrastructure and housing.

(Economics for SA students, Mohr P, Fourie 2002:8)

However, not all the provinces in SA enjoy equitable economic distribution. The graphics below show the disparities in shares of national income enjoyed by the different provinces. It is evidently apparent that Gauteng and Western Cape are big competitors planning to increase their shares of the same market.

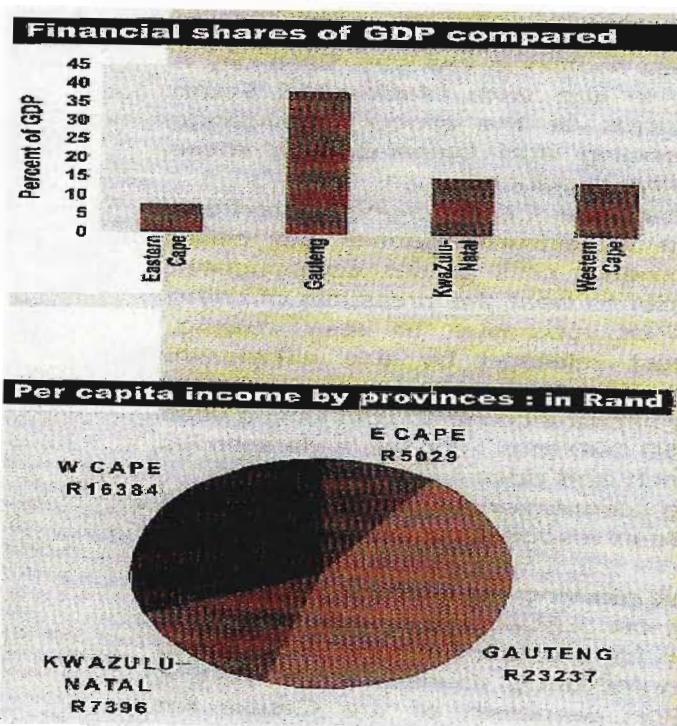


Figure2.2 SA GDP& per capita income

Source: Journal of Marketing, Vol 8 No. 6, 2003

B. Locally Ithala boosts Durban economy

An analysis of local economical trends indicate that in Kwazulu-Natal, the identified target area for the research problem, Ithala Development Finance Corporation is to boost its Durban property portfolio by more than 10%, prompted by the growing demand for factory premises in the city. (www.businessweek.com)

As the provincial development agency, Ithala is already the single largest industrial property holder in KwaZulu-Natal. According to properties executive Wellington Ngcobo, rentals within the city had risen more than 10% in the past year. This economic surge had lifted interest in additional industrial premises in greater Durban. Given the significant growth in manufacturing volumes achieved during 2003, the growth was sustainable.

Ithala has emerged as a major provincial role-player in the manufacturing sector and has an industrial property portfolio touching 1million square metres across KwaZulu-Natal, of which 113000m² is in the Durban area. The organization promotes and facilitates private sector investment in KwaZulu-Natal as a means of contributing directly to essential job creation and the economic growth and development of the province. Growth in KZN would impact positively on the GDP, increasing private consumption. As housing wealth is the single most important component of wealth in household's portfolios, KZN offers a lucrative target for niche market expansion in residential development catering for multiracial consumer needs.

2.1.2 Political/Legal environment

Environmental analysis from a political /legal perspective illustrate that, emerging countries have generally been anti-capitalist, anarchic and often unstable. Whilst there is a tendency towards freeing up international trade opportunities, political changes could reverse those trends. This also relates to laws, policies and regulations that may impact on any or all aspects of introducing a new product to a new country and market.

The South African government has created an enabling environment for its housing sector. A good transport and communications infrastructure, a supportive and responsive bureaucracy, a motivating tax structure and selective government subsidies are ways of giving South African developers a competitive advantage. Many emerging economies, especially East

African governments, are unwilling or incapable of delivering in these critical areas and this is a shortcoming that the South Africans are exploiting (Ohayo, June 1999: 1).

Thus an appropriate platform has been fashioned in SA politically and legally setting the stage for expansive residential development provincially and nationally, which can be exploited appropriate to the needs of a multiracial emerging market.

2.1.2.1 Land, Reform and Democracy

The political environment analysis indicates that as South Africa moves toward democracy, land reform has to be part of any serious effort to reform the economy and move it toward a market system. It is a crucial factor in establishing stability in the country's political process.

The right to own land is a fundamental right in a market-driven economy. When people own a piece of land, they have security, not only security of tenure but also security in the form of collateral that can be relied upon.

The SA Political environment:

A literature analysis of the political environment in SA portray that as a result of failure to deliver, alienation and discontent are obviously increasing. According to a 2003 survey conducted by the liberal Institute for Democracy in South Africa, the number of black people who believe life was better under the apartheid regime is growing. Tragically, more than 60 percent of all South Africans polled said the country was better run during white minority rule, only one in ten people believed their elected representatives were interested in their needs, and fewer than one in three felt the current government was more trustworthy than the apartheid regime. Black people were only slightly more positive than white and mixed-race groups about the government, with 38 percent deeming it more trustworthy than before. Only 24 percent of black South Africans agreed with the proposition that the current government is less corrupt than the apartheid regime.

For the 10 percent or so wealthiest whites and a scattering of rich blacks who enjoy segregation and insulation from the vast majority, lifestyles remain at the highest level in the world. This is evident to any visitor to the slightly-integrated suburbs of South African cities. Racial apartheid was always explicitly manifested in residential segregation, and after

liberation in 1994, Pretoria adopted World Bank advice that included an avoidance of public housing (virtually no new municipal or even cooperatively-owned units have been constructed), smaller housing subsidies than were necessary, and much greater reliance upon banks and commercial developers instead of state and community-driven development. The privatization of housing is, indeed, one of the most terrible ironies of post-apartheid South Africa..

Ten years later, the provincial housing minister responsible for greater Johannesburg admitted to a mainstream newspaper that South Africa's resulting residential class apartheid had become an embarrassment. If we are to integrate communities both economically and racially, then there is a real need to depart from the present concept of housing delivery that is determined by stands, completed houses and budget spent. The view has always been that low-cost house should be built away from existing areas because it impacts on the price of property. Rationalizing such policies, the head of one of Johannesburg's largest property sales corporations, Lew Geffen Estates, indicated that low-cost houses should be developed in outlying areas where the property is cheaper and more quality houses could be built.(www.businessstimes.com)

Several hundred thousand post-apartheid state-subsidized starter houses are often half as large as the 40 square meter matchboxes built during apartheid, and located even further away from jobs and community amenities. In addition to ongoing disconnections of water and electricity, the new slums suffer lower-quality state services ranging from rare rubbish collection to dirt roads and inadequate storm-water drainage.

This is in contrast to the findings of global consumer trends analysis depicting modern apartment lifestyles experienced in the midst of the CBD. Land is an asset that usually appreciates in value, providing capital growth for the owner. In other words, land ownership serves as the capital base from which people can uplift themselves economically. Therefore the onus lies on private companies to residentially develop customer needs based on global trends in accordance with locally required multiracial consumer trends of a lucrative emerging market.

2.1.3 Technical/Physical Environment

Literature review analysis portray that technology and physical environment also play a vital role in the ability to introduce products to new international markets. If the target country does not have the technology required to use, produce, advertise or distribute the product, the chance of success is limited. Businesses in developing countries can now overcome many of the obstacles of infrastructure and transport that limited their economic potential in the past. The global services economy will be a knowledge-based economy and its most precious resource will be information and ideas. Changes in technology also make available vast amounts of data worldwide, and therefore the management of information becomes as important as the information itself.

The Emerging market characteristics detailed in (*Appendix C*) have an impact on the type of market programme to be implemented. Viewed in this light, the emerging market debate is naturally a debate about locally adaptive versus globally standardized strategies. However, the localization-globalization debate is much more pronounced in the context of emerging markets, where consumer behavior is so different, and the future stakes so high.

Locally the technologically advancing physical environment of a rapidly progressive SA shapes this country as an ideal target market expansion residential developmental area. Vast terrains of topography characterize the physical environment of SA, which is landscaped appropriately to the needs of a multiracial emerging market.

2.1.4 Social/Cultural Environment

Social and cultural issues are possibly the highest discriminator factors as emerging markets have been isolated from a western, global perspective with cultures significantly different to western/European cultures and social orientation. Education, language, religions and values are also extremely diverse. All of these play pertinent roles in decisions to enter new markets in an emerging country. From a marketing perspective, the need to understand this diversity is paramount and will be the basis of whether or not new market entry/market expansion is successful.

2.1.4.1 South Africa

An environment analysis indicates that South Africa has a population of 42,718,530 (2004 estimate), which gives a population density of 35 persons per sq km (91 per sq mi). South Africa has a multiracial and multi-ethnic population. Of the nearly 43 million inhabitants, approximately 75 per cent of the population is Black African, 13 per cent is White, 9 per cent is Coloured (mixed ethnic background), and 3 per cent is Asian. (Ninemsn Encarta -South Africa.htm)

The Blacks belong to nine ethnic groups: Zulu, Xhosa, Batswana, Venda, Sotho, Ndebele, Tsonga, Swazi, and Pedi. The Zulu are the largest of these groups, making up about 22 per cent of the total population. Whites are descended for the most part from British, Dutch, German, and French Huguenot (Protestant) settlers. The people of Dutch ancestry, who often have German and French heritage as well, are known as Afrikaners or Boers and form about 60 per cent of the White population. The Coloured population, which lives chiefly in the Cape provinces, is of mixed racial origin, mainly Black and Afrikaner. The Asians are mainly of Indian ancestry and are most numerous in the province of KwaZulu-Natal. A small number of people of Malay origin are also included in the Asian population. They reside mostly in the Cape provinces. In 2002, 59 per cent of the population was classified as urban. (Christopher, 2003)

A. Segregation

Racial segregation and White monopoly of power characterized South Africa from before the founding of the Union of South Africa in 1910. This formalized White control of the political structure, but it was only in the 1940s that the concept of racial segregation, known as Apartheid, began to be elaborated into a total state policy reinforced by laws and permeating all aspects of social, economic, and political relations between people. This state policy was designed to guarantee the future political and social domination by the country's white minority over the non-white population.

During the late 1980s and early 1990s the government was forced to dismantle the legal basis of apartheid, but inequality remains a fact of life in South Africa. The inequalities apartheid created especially in access to housing, jobs, education, and medical and health facilities will take many years to correct. Other consequences, such as the undermining of family life by

regulations forcing men to migrate to work, leaving their wives and children in rural areas, is difficult to deal with.

B. Way of Life

The apartheid system left a profound imprint on South African society. Most Whites enjoy a standard of living and way of life comparable to, or higher than, those in the most developed countries in the world. However, this is not the case for non-whites, specifically blacks. Although Blacks make up 75 per cent of South Africa's population, they earn only 28 per cent of the country's total income. By contrast, Whites, which make up only 13 per cent of the population, earn 61 per cent of the income. The income figures for Asians and Coloureds are 3 and 9 per cent respectively, which corresponds more closely with their proportions of the total population.

The income gap between South Africa's Blacks and Whites, one of the widest in the world, is reflected in many other ways. The average household income of a White family is 12 times that of a Black family. More than half of all Blacks live below the poverty line, and Black unemployment is more than 50 per cent. A quarter of all Blacks live in shacks or have no housing, and 40 percent do not have access to clean water. Only one third of Black homes have electricity. (Ninemsn Encarta -South Africa.htm)

The gap in living and health standards is widest in rural areas. White farmers own more than 87 per cent of the land and produce more than 90 per cent of South Africa's agricultural output. Black farmers under apartheid were pushed off their land altogether, or on to marginal, less productive areas. Land redistribution is a major issue facing the new majority government, which has to balance black expectations for a return of their land with the need, in the immediate term, to keep the country's 50 per cent of urban dwellers fed.

Owing to the legacy of residential segregation laws, Whites generally live in the centre of major urban areas, relatively close to the central business district, while Blacks live in outlying townships. There has been some movement of Black middle-class families into former white residential areas since the early 1990s, but most blacks that work in cities still face a long commute from home in the townships to work. The average commute is 37 km, and a two to four-hour commute is not uncommon. Commuting is also generally more expensive and dangerous for blacks than whites.

Since 1975 the number of wealthy Blacks in South Africa has increased, and this small black middle class now enjoys a lifestyle similar to that of wealthy whites. However, during this same period the incomes of the poorest 40 per cent of all blacks decreased significantly, reflecting a widening income gap even within the Black population. The emergence of a Black class structure can be seen in Soweto, which, though dominated in many ways by shacks, also has its upmarket residential areas with large, fine houses and gardens.

C. Social Problems

Violence is the most serious social problem in South Africa; in the early 1990s the country was estimated to be one of the most dangerous in the world, outside war zones, with over 40,000 murders a year; less than 20 per cent of these were politically linked. Even so, most of the crime and political violence can be traced to the legacy of apartheid. The enormous housing shortage for blacks has helped create the conditions for violence; in the townships it is not uncommon for as many as 17 people to be living in three or four rooms. The high rate of unemployment, especially among black youths, also tends to aggravate the problem of crime. These problems tend to be even worse in rural areas.

Political violence, or what is often called black-on-black violence, was directly linked to the apartheid government, which was in power until April 1994. The findings of the independent Goldstone Commission in early 1994 confirmed that forces within the government, the so-called third force, had played an important role in encouraging and directing the violence in order to halt South Africa's move to democracy. These activities included support to the Inkatha Freedom Party of Zulu Chief Mangosuthu Gatsha Buthelezi.

D. Political Divisions

Until 1994 South Africa was divided into four provinces (Cape Province, Natal, Orange Free State, and Transvaal) and ten black homelands. Under the country's interim constitution, which took effect at the time of the country's first multiracial elections in April 1994, South Africa is divided into nine provinces. These provinces are: Gauteng, capital Johannesburg; Limpopo, capital Polokwane (formerly Pietersburg); Mpumalanga, capital Nelspruit; North-West, capital Mmabatho; Free State, capital Bloemfontein; KwaZulu-Natal, joint capitals Pietermaritzburg and Ulundi; Eastern Cape, capital Bisho; Northern Cape, capital Kimberley; and Western Cape, capital Cape Town.

Other provincial capitals are under debate and may change. The black homelands, including those that were declared independent: Transkei, Bophuthatswana, Venda, and Ciskei were dissolved and reincorporated into South Africa when the interim constitution took effect.

E. Principal Cities

The largest cities in South Africa, with their populations, include Cape Town (2,993,000, 2001 estimate), the legislative capital; Johannesburg (752,349-1996), the focus of the goldfields and South Africa's main commercial and financial centre; Durban (669,242-1996), an important seaport; Pretoria (1,651,000, 2001 estimate), the administrative capital; Port Elizabeth (692,348- 1996), industrial city and major port; Springs (163,304-1996), a manufacturing centre; Bloemfontein (364,000-2001 estimate), the main seat of the judiciary and a trading centre for cattle and sheep; and Germiston (164,252-1996), site of the largest gold refinery in the world. ([Ninemsn Encarta -South Africa.htm](#)). However, the largest settlement in the country is probably Soweto, the black township established outside Johannesburg as a dormitory area for workers in the city, which has since developed into a de facto city in its own right.

About 50 per cent of the population of South Africa is classified as urban. More than 25 per cent of the total population lives within the Pretoria, Witwatersrand, and Vereeniging (now Gauteng) metropolitan area, which lie within a 70-km (43-mi) radius of Johannesburg. The three metropolitan areas of Gauteng, Cape Town, and Durban account for 38 per cent of the country's urban population. Concentrations of urban migrants are increasing around the major cities, housed in makeshift settlements or shantytowns known as squatter camps.

F. Religion

About 68 per cent of the people of South Africa are Christians, mainly Protestant. Most Afrikaners belong to the Dutch Reformed Church, and most South African Whites who speak English as their first language belong to the Anglican, Congregational, Methodist, or Roman Catholic Churches. Blacks are also members of these denominations; in addition, many of them adhere to so-called independent Churches, which combine elements of Christianity and traditional African religions. A significant minority of Blacks also follow traditional beliefs. Of the non-Christian religions in South Africa Hindus comprise 1.3 per cent and Muslims 1.1

per cent. South Africa also has a Jewish community of some 67,600 people, although a number of Jews have emigrated to Israel in the past 25 years.

G. Education

The legacy of apartheid in South Africa possibly manifests itself most clearly in education. Government spending on black education has increased significantly since the mid-1980s, and especially since 1990. However, although education has been legally desegregated, in practice most black children are still restricted to ill-equipped schools. In the early 1990s expenditure for White pupils was about four times higher than that for Black pupils. The teacher-to-student ratio for blacks was 1:60 in urban areas and 1:90 in rural areas in the early 1990s. By comparison, the teacher-to-student ratio for Whites averaged 1:30 or even lower. As a result of these conditions, only 41 per cent of all Black students passed the secondary-school final qualification exam (a requirement for university entrance) in 1991. In the same year, 96 per cent of all White, 95 per cent of all Asian, and 83 per cent of all Coloured students passed the exam. Also, the Black literacy rate is less than 50 per cent, while the White literacy rate is virtually 100 per cent. Overall literacy in 2004 was 87 per cent. In 1999–2000, 5.9 per cent of gross national product (GNP) was spent on education.

Institutions attended mainly by Whites are the University of Cape Town (founded 1829); the University of Natal (1910), in Durban and Pietermaritzburg; the University of Orange Free State (1904), in Bloemfontein; the University of Pretoria (1903); Rhodes University (1855), in Grahamstown; the University of Stellenbosch (1918); and the University of the Witwatersrand (1922), in Johannesburg. Blacks attend the University of Fort Hare (1916), in Alice; the University of the North (1959), near Polokwane; the University of Zululand (1967), near Empangeni; the Medical University of Southern Africa (1976), at Medunsa; and the University of Transkei (1977), at Umtata. The University of the Western Cape (1960), in Bellville, is attended mostly by Coloureds. Asians mainly attend the University of Durban-Westville (1961).

As apartheid is being dismantled, an increasing number of non-white students have begun to attend educational institutions that once were attended exclusively by whites, particularly in the major metropolitan areas. Most of the blacks that attend these colleges are relatively wealthy.

H. Culture

The historical segregation of racial and ethnic groups in South Africa has resulted in distinct cultural developments. Within the white population English and European cultures have re-emerged as dominant influences, especially with the erosion of the Afrikaner-created apartheid system, and the end of the international isolation it caused. The historical distinction between the more religious and nationalistic Afrikaners and the more cosmopolitan English speakers is diminishing, especially among young people.

Among blacks, urban and rural cultures continue to differ. Urban black culture is multi-ethnic and increasingly draws on international influences, such as those of African-Americans. These influences have increased since the end of international sanctions against South Africa, which restricted artists from other countries from performing in South Africa. In the major urban areas the end of apartheid has brought about more interracial cultural activities. Generational differences within both the white and black populations also play a role in cultural expressions. In rural areas black cultural activities tend to emphasize the traditions of particular ethnic groups. Traditional Afrikaner culture is also strongest in rural areas. In recent years a new sense of self-pride has developed in the Coloured community and has found expression in writing, theatre, and music.

Hence, a social and cultural environment analysis of South Africa reveals that SA embodies a tapestry of a richly diverse interwoven fabric as represented by the various coexisting subcultures. The South African rainbow nation extends an ideal multiracial emerging target market for residential developments to capture.

2.1.5 Competitors

A competitor analysis would have to be conducted to ascertain the extent of competition in the environment and to benchmark the company's business and corporate level strategies accordingly.

From a consumer market perspective, EM's have historically been isolated which translates into market opportunities for new brands, innovative products and an associated upbeat demand. There is also limited competition (in the short term) and there is thus first mover potential. First mover advantage can provide a number of significant benefits including,

reputation effects as benchmark products, economic advantages from early attainment of critical sales volumes, and pre-emptive domination of distribution and communication channels, favorable government relations, pent-up demand, marketing productivity, marketing resources, and consequent learning. (Arnold& Quelch, 1998: 3)

From an environmental perspective, this is partially related to cultural and social issues but can be distinguished apart due to its ever-increasing voice and impact on companies, products and markets. Different countries have different views, policies, laws on environmentally related issues, many of which could impact directly on marketing and selling initiatives and the nature, design, and make-up of products. Standard domestic type of products may therefore need to be altered for a specific country.

Competitor analysis indicates that while vigorous competition in residential developments exist globally, locally however, monopolistic competition exists with particular residential development companies having market dominance in particular areas, (Lew Geffen Estates in Cape; Inframax in Gauteng; Moreland Developments in KZN)

2.2 GLOBAL TRENDS IN THE RESIDENTIAL MARKET

2.2.1 Traditional principles in Global emerging trends

An analysis of global trends in the residential market indicates that there exist certain **timeless** development principles in residential development globally that never go out of style. This understanding is an underlying foundation for the traditional city and "*traditional neighborhood development*" (**TND**) emerging globally. (<http://www.emergingtrendsforecast.com/highlights/timeless-traditional-principles.htm>) The timeless principles are inherently profitable and potentially sustainable. In general, communities possess timeless features when they retain and promote such principles as:

- Walkability and connected, calm, dignified streets
- A unique, prideful community character
- Managed (Wise, Planned, Smart) Growth
- A 24-hour city: A healthy, vibrant downtown core, which avoids becoming a ghost town after the 9 to 5 work period
- Strong, core-area residential neighborhoods
- Mixed uses (both vertical and horizontal)
- Transportation choice with a person having the option to choose car transit, walking or bicycling
- Compactness, human scale, and neighborhood scale

Residential developments USA reports indicate that:

- Many traditional U.S. cities are enjoying a renaissance, while newer Sunbelt suburban agglomerations without true urban cores and with only minimal mass transportation capacity are losing favor amidst a certain degree of land-use chaos.

- Some suburban residents grow increasingly exasperated about the time spent trapped in their cars.
- Many people just want to be closer to work, coveting a 24-hour lifestyle traditional neighborhood residential developments (TNDs) are gaining favor as homes are planned around town centers, with parks and stores in easy walking distance.
- The newest phenomenon to catch on in suburbia is the TND. Touted for more than a decade by new urbanist planners and architects. TND projects try to provide what has been sorely lacking in the typical American subdivision of the past 40 years, a defined residential community built around a town center with parks, offices, and schools all within easy walking distance.
- Studies show that people are willing to pay more for TND homes, and developers are beginning to take notice.
- It's the age-old concept of living in a town setting, which suddenly has renewed attraction for an increasing number of American suburban dwellers
- Cities are providing what many suburbs are struggling to retain, a convenient and appealing lifestyle.
- Convenience is a must and people want the 24-hour model. They want proximity to work, proximity to the demands of life and to the things they want to do. The best cities to invest in have:
 - ➡ Attractive neighborhoods rooted in and around business district.
 - ➡ A multidimensional environment: entertainment, theater, restaurants, day & night activity.
 - ➡ Convenient shopping: supermarkets, drug stores and other neighborhood merchants within walking distance in addition to area department and specialty stores.
 - ➡ Relative safety and security.

- ▶ Established mass transportation modes to move people in and out as well as around the city.

Emerging Trends is the most respected real estate forecast in the U.S. Their report is based on interviews with over 150 real estate investment experts. ERE Yarmouth is the largest manager of real estate in the U.S. PricewaterhouseCoopers and Lend Lease Real Estate Investments have published “Emerging Trends in Real Estate.” It is the twentieth consecutive year for the Emerging Trends Report.

- Emerging Trends predict the next quarter century will be kinder to cities and harder on some suburban areas, especially for investors.
- Suburban areas that represent the best investment opportunities will develop and husband the attributes of the more successful cities, concentrating amenities while integrating residential with retail and commercial districts in a pedestrian-friendly configuration.
- As in the past, our respondents view fast-growing markets with limited growth controls as chancier investment plays in this part of the cycle. Fewer barriers to new construction inevitably lead to greater overbuilding risk. Both Generation Xers and aging baby boomers are migrating back to urban cores, young people for the excitement and the empty nesters for convenience and amenities. Single-family homes are more trouble to maintain than apartments, and suburban traffic congestion has become more aggravating, not to mention time-consuming.
- People want to live closer to where they work and play. Hectic lifestyles demand convenience. Golfers may gravitate to more suburban locations, and art collectors and restaurant lovers to the city. Whatever the orientation, commercial real estate markets will thrive if they have attractive adjacent residential districts.
- Until recently, the consequences of suburban sprawl were so far fetched that the average investor neither cared nor thought seriously about them. That indifference is changing. The demographic shift generated in the years following World War II has left half of the U.S. population living in suburban areas. America is dominated by a culture of single-family homes, lawns, and endless shopping strips, punctuated by turning lanes, gasoline stations, and

blacktop parking lots. Many cities particularly Sunbelt agglomerations like Atlanta, Dallas, Houston, Phoenix, and all of Southern California have actually lost their original urban cores.

- People are coming to understand that without strong urban cores, areas will ultimately flounder. Increasingly, better suburban areas look like smaller versions of traditional cities, featuring attractive neighborhoods, easily accessible retail and office districts, and mass transportation alternatives to the car. Local government officials are focusing more on sidewalks and parks than on parking lots. In fact, successful suburbs actually are mini urban cores, following the time-tested models. In the suburban agglomerations, it's the urbanizing centers like Buckhead in Atlanta or Ballston, Virginia, outside of Washington, that will be the glue holding these areas together. These places aren't edge cities. They're 24-hour markets cities in their own right and they are the best places in the suburban mix to invest in.
- For the future, building apartment complexes and office towers near suburban subway stops will make more sense than erecting gated townhouses or office parks off the next interstate exit districts, integrating residential with commercial and recreational uses, rather than expanding and diffusing resources outward.
- As baby-boomers become empty nesters, their children move into the expanding ranks of Generation Xers, single and looking to make it on their own. Both groups are gravitating to cities. Graying boomers can be closer to work and take advantage of urban amenities museums, restaurants, theater that they've been missing. Apartment life is easier: There's no lawn to mow or big house to manage, and the lifestyle is more convenient. The 20-somethings, meanwhile, have graduated from hanging out at the mall. City nightlife and social interaction offer more possibilities, interest and excitement.
- *An analysis of American trends in the residential market is characterized by an emerging target market consisting of people of all ages who want a 24-hour modern lifestyle in a traditional neighbourhood development. As America is a vastly diverse multiracial society, these trends are pertinent to this studies research problem of delivering consumer satisfaction to a localized multiracial emerging target market.*

2.2.2 PHILIPPINES BREAKING GROUND

Global trends in residential development highlight Philippines to be of particular relevance. The retail segment in Philippines covers the property developers who are building commercial centers and targeting the malling crowd who come from a wide spectrum of society. Market players in this segment include SM Prime Holdings, Inc., operators of the country's largest retail chain, the SM malls, Robinsons Land, Inc., ALI, KPPI, and the Arnett Group, operators of the Araneta commercial center.

In the residential sector, the segment that has emerged lately and shown growth potential is the **middle-income residential market**. Prospects are also bright for farm lot projects in the luxury segment. The trend that is currently dominating the real estate sector is **selective development** wherein property developers choose niches to pursue their developments.

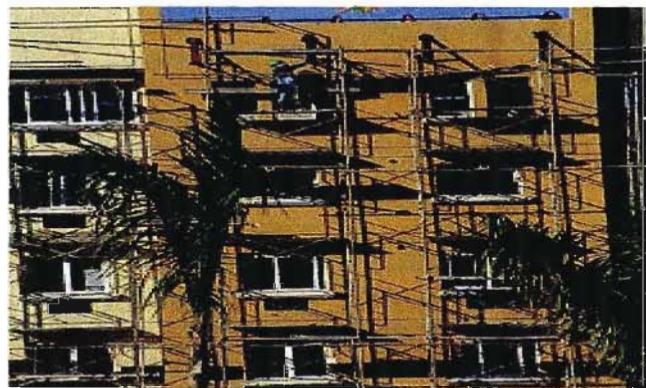


Figure 2.3 The East Ortigas Mansions, a mid-income residence being developed by DMCI Homes Inc. (Source: Colliers International report)

PHILIPPINES LICENSE TO SELL				
Units	May '02	May '01	YoY change	
Socialized Housing	11,608	8,259	40.50%	
Low Cost Housing	14,531	5,724	153.90%	
Mid Income Housing	15,773	14,399	9.50%	
High Rise Residential	2,029	1,546	31.20%	
Commercial Condominium	1,270	688	84.60%	
Farmlot	5,841	-	100.00%	
Memorial Park	28,815	80,580	-64.20%	
Industrial Subdivision	-	44	-100.00%	
Commercial Subdivision	253	151	67.50%	
Total (Philippines)	80,120	111,391	-28.10%	

Source: Colliers International Quarterly Research Report

In the residential sector, most developers are focusing on developments in the middle-income housing segment, which is capturing the market exceptionally.

MIDDLE-INCOME MARKET

Property developers see the middle-income segment as the driver of growth for the market, since in the middle-income segment housing is a need.

Figure 2.4 Colliers international quarterly report. [http://BusinessWorld Internet Edition
Breaking Ground.htm](http://BusinessWorld Internet Edition Breaking Ground.htm))

In its July 2002 quarterly research report, Colliers International noted that the licenses to sell in the middle-income residential sector approved by the Housing and Land Use Regulatory Board (HLURB) increased by 9.5% in the first five months of 2002 to 15,773 from 14,399 licenses in 2001.

Listed construction firm DMCIHI is also setting its sights on the middle-income housing market. It recently refocused its thrust from constructing retail malls and buildings to developing residential communities.

The middle-income market offers market expansion opportunity for an emerging target market by creating selective developments for niches.

2.2.3 Hispanic Homebuyers Add Power to US Market

Global residential development trends highlight Hispanic consumer patterns to be of particular relevance. The U.S. housing market is expected to hit a new record in 2004. A new report from the Harvard Joint Center for Housing Studies forecasts that women and minorities will play a larger role in housing's future, with the nation's Hispanics contributing strongly to this trend. In 2003, U.S. Census data found that Hispanics represent almost one-half the 9.4 million residents added to the nation's population since Census 2000. Considering that three out of every five first-time homebuyers are expected to be minorities over the remainder of the decade, prepared real estate professionals and mortgage providers are taking note. They are offering targeted educational and marketing materials to the growing Hispanic homebuyer market. Helping these new customers become homeowners will help keep the power in the housing market's growth.

According to the report:

- In the 10-year period from 1993-2003, Hispanic homeownership in the U.S. rose from 40 percent to 47 percent. (<http://www.census.gov/>)

- The population of Hispanics reached 39.9 million on July 1, 2003, accounting for about one-half of the 9.4 million residents added to the nation's population since Census 2000. Hispanics are the fastest-growing population segment in the U.S. and the nation's largest minority group at 13.5 percent of the entire U.S. population.
- Seventy-five percent of the nation's Hispanics live in just ten states, including California, Arizona, Florida, and Texas.

According to the 2004 State of the Nation's Housing report released by Harvard University's Joint Center for Housing Studies, as a result of immigration, minorities accounted for 27 percent of households in 2003 and will contribute at least two-thirds of net household growth in the coming decades. (<http://www.jchs.harvard.edu/>)

- The National Association of Realtors forecasts that existing-home sales will hit a record 6.31 million in 2004, up 3.4 percent from 2003. (<http://www.realtor.org/>)
- Century 21 is committed to serving the Hispanic community. The company is also a partner with Univision.com to bring site visitors high quality Spanish-language resources including comprehensive guides and interactive tools covering the stages of the home buying process, searchable real estate listings, financial calculators, and the ability to start loan applications online. (<http://www.century21.com/> and <http://www.century21espanol.com/>)
- The new Coldwell Banker Hispanic Marketing System contains the essential tools that Sales Associates need to market to Hispanics in their area. The Hispanic Marketing System includes downloadable Hispanic market research on the top 10 Hispanic metros in the United States, an educational piece on how to market to Hispanics, direct mail pieces that are customizable online, and printed materials.
- The Housing Development Capacity under the Annual Growth Policy reveals significant trends in residential development. (**Appendix D**)

Thus it is apparent from the above statistics that minorities play a significantly vital role in an emerging target market that comprises a largely multiracial denomination.

2.2.4. Housing Segmentation of Developing Countries in Transition:

A. Systematic economic transformations in developing countries: Bangkok

Many developing countries are currently in the midst of a momentous change from old economic systems with interventionist government policies, which failed to improve the welfare of its people. Success of transforming these economies from command operations to more open systems based on market principles varies. The stage of transition in each country, the extent of economic base restructuring towards industry, the subsequent level of development, including residential, and the degree of local market maturation, including housing markets, all vary as well. (Dodsworth, et al., 1996). However, developing countries in transition share many characteristic steps in their attempts at systemic transformation to market economies (Otani and Pham, 1996).

Reforms of the institutional framework typically include passage of foreign investment laws, creation of a treasury and deregulation of the banking sector, gradual price and wage liberalization, and adoption of *property rights and enabling* laws (Goldsbrough et al., 1996).

The shift to a **market-based economy** seeks to achieve improved economic performance, through accelerated industrial output restructuring. Related reform policies occasionally involve deregulation of industrial prices, devaluation of official exchange rates, elimination of export subsidies, and liberalization of trade (Chopra et al., 1995). Policies also involve reform of the State enterprise sector and vitalization of the private sector, by lifting the constraints of centralized planning, reducing the bureaucracy of governmental agencies, providing access to credit, introducing nondiscriminatory taxation, and by legislating an enforceable framework of commerce and finance codes (Buckley, 1992).

Over time the process of transformation requires fully-fledged governmental policies. These ensure accelerated growth, increased employment and higher incomes, which in turn create the foundation for sustainable housing markets. The free market mechanism seems to first respond to demand for upper-end housing by expatriates and the new entrepreneurs. However, a broader housing market is not likely to follow until the government implements a sustainable system for housing finance. Alternatives for such a system abound (Diamond,

1992), including the U.S. mortgage market model with insured mortgages and secondary funding.

Residential development surveys in developing countries highlight Thailand to be of particular importance. The following five product types are currently dominant in the Thai housing market: Single-family housing, Attached units, that is, duplexes, fourplexes, townhouses, condominiums, shop houses, or commercial homes. (<http://www.sharkawa.com>)

UNIT SHARE	MARKET SHARE (UNIT SOLD)		
	2000	2001	2002
SINGLE FAMILY	11.4%	14.2%	18.0%
TOWN HOUSES	34.2%	35.9%	40.0%
ATTACHED HOMES	0.9%	1.1%	3.0%
CONDOMINIUMS	45.6%	43.5%	35.0%
SHOP HOUSES	4.9%	2.8%	1.0%
LOT SALES	3.0%	2.5%	3.0%

Figure 2.5: Unit & Market share: Data source: Agency for real estate Affairs, Bangkok, Thailand

B. Market segmentation by price level:

Unit sales in of each housing product type were segmented by price level, as shown below. Five price levels are used, as follows:

	UNIT SALES: MARKET SEGMENTATION BY PRODUCT					
	Market Share	Over \$120.000	\$24.500 - \$41.000	\$41.000 - \$24.500	\$24.500 - \$40.000	Below \$40.000
Shop houses	1.0%	16.0%	7.0%	2.0%	0.0%	0.0%
Single Family	18.0%	54.0%	62.0%	30.0%	3.0%	0.0%
Attached Homes	3.0%	3.0%	8.0%	6.0%	1.0%	0.0%
Town Houses	40.0%	14.0%	16.0%	18.0%	79.0%	31.0%
Condo.	35.0%	9.0%	5.0%	27.0%	14.0%	64%

Figure 2.6: Market segmentation by Product type: Data source: Agency for real estate Affairs, Bangkok, Thailand

Figure 2.6 shows that the lower price ranges have higher market shares in the Bangkok Metropolitan Region. The lowest price level E (below \$24,500) has a 38% market share, gradually decreasing to 26%, 23%, 7% and 6% for price levels D, C, B and A (over \$120,000), respectively.

Considering market share by product type, based on unit percentage in each price level, single family housing dominates the high-end market segments in price levels A and B (over \$81,000), as the favourite product type of upper-middle income and high-income buyers. Detached single-family homes seem to be their first choice, with shop houses favoured by those interested in a home-office or home-retail combination (*Managers Magazine*, 2003).

C. Market segmentation by product type:

Unit sales in each of the five price ranges used were segmented by product type, as shown in figure 2.7.

Unit Sales: Market Segmentation by Product Type

	RANGE	MARKET SHARE	TOWN HOUSES
A	OVER \$120.000	6%	2.3%
B	\$81.000 TO 1200.000	7%	3.5%
C	\$41.000 TO 80.000	23%	11.6%
D	\$24.500 TO 40.000	26%	53.0%
E	BELOW \$24.500	38%	29.6%

Figure 2.7: Unit sales: Market segmentation by Product type: Data source: Agency for real estate Affairs, Bangkok, Thailand

Casual analysis of the data in Figure 2.7 indicates the following concerning market performance of each product:

□ *Townhouses*: Townhouses continued to dominate the BMR residential market with a 40% market share, slightly ahead of condominiums at 35%. □ *Condominiums*: The condominium market was heavily concentrated in price level E (below \$24,500), targeting the lower-Income market segment. Many of the new projects received government low-income housing BOI incentives, which contributed to the oversupply problem. Condominiums remained less competitive with townhouses, due to reported homebuyers' preference with regard to land ownership rights with townhouses.

D. Market segmentation by spatial distribution:

The Bangkok Metropolitan Region (BMR) can be divided into the following five sub markets: (<http://www.sharkawa.com>)

- Central Business District (CBD);
- The well-established North BMR;
- The relatively disconnected South BMR;
- The popular East BMR; and

➤ The emerging West BMR.

A brief description of each sub market, its consumer profile, and typical product types follows. The following conclusions can be drawn from the market segmentation analysis presented thus far for the Bangkok Metropolitan Region:

➤ *Overall market performance*: Most sales involve townhouses and Condominiums (at about 40% and 35% of total sales)

➤ *Demand by product type within price level*): Affordability issues aside, consumers of price level E units (below \$24,500) show a distinct preference for condominiums (64%), with townhouses a distant second (31%). Consumers of price level D units (\$24,500 to 40,000) show an overwhelming preference for townhouses (79%), compared to condominiums (14%).

➤ *Demand by price level within product types*: Over 95% of single-family homes are priced over \$41,000, with almost half (48.7%) offered in the \$41,000 to 80,000 mid-price C level.

➤ *Spatial distribution of demand*: The CBD is dominated by price levels A and B units (over \$81,000), mostly condominiums mixed with service apartments and shop houses.

E. Generalized Observations applicable to Developing Countries in transition

The above case study of the Bangkok housing market provides the following insights, which are applicable to other developing countries undergoing economic reform:

1. The development industry:

Like in Thailand, privately held development companies can provide the needed urban housing in developing countries, including affordable housing in the lower price levels. However, open market governmental policies characterized by timeliness, sustainability and consistency are needed before such enterprises can mature to meet the challenge.

2. The legal environment:

Western standards aside, a locally acceptable set of laws and institutions need to be in place first, to regulate transfer of ownership or possession rights, the enforcement of zoning laws and regulations, even if slow; and the facilitation of financing, e.g., mortgage provisions, foreclosure procedures.

3. The institutional environment:

An active governmental role is critical in establishing the right institutional environment for a healthy residential market. The evolution of a housing finance system is most essential in creating a strong housing market. Many functional models for such a system exist, including the American insured mortgages and secondary mortgage market, the German Savings & Loan multi-loan package (*Bausparkassen*), the deposit model used in Thailand, or the use of pension funds, e.g., Singapore Central Provident Trust. Additionally, like in Thailand, incentive programs for low-income housing, such as favorable mortgage terms and tax exemptions for developers of affordable housing are necessary to entice involvement by private development companies in such a market segment.

4. Housing segmentation by product types and price levels:

This case study demonstrates that both the broadest development opportunity and the most housing demand involve the lower price levels. It also shows that townhouse units can offer an attractive substitute to the more traditional condominium development. At the other end of the price spectrum, the case introduces shop houses as a product that seems to be well suited for family-run entrepreneurial ventures in developing countries undergoing transition to market economies.

5. Spatial distribution of residential development:

The results highlight the sequence of sub-market development in capital cities of developing countries. It demonstrates the attractiveness of CBDs and for upper end condominiums and service apartments. It indicates that upper-end housing development is most likely to spread first along the corridor connecting CBD with the airport. It also demonstrates that, like in western communities, newer upper-end sub markets will emerge with construction of new infrastructure and roads, as lower-priced products appear in the previously established suburban sub markets. (Annual Reports of National Housing Authority. Bangkok, Thailand: Agency)

This report is appropriate to the current policies of a cascading Durban economy, as exemplified by a spiraling impact on infrastructure investment in Durban and the KZN North Coast. The burgeoning property boom in Durban and the KZN North Coast accompanied by a rapid commercialization identifies this developing area as a target market for multiracial market expansion.

2.2.5 Emerging SA markets target fast moving consumers

Today it is the black consumer who has become a fast-moving target as a result of shifts that are occurring in countrywide patterns. As new, young consumers flood the marketplace, methods of marketing point to the resurgence of point of sale techniques. Understanding buying decisions at the point of sale, is increasingly the name of the game, this means observing, questioning and learning more about buying behavior. Following the scrapping of the Group Areas Act over a decade ago, consumer buying has become increasingly decentralized. The SA black consumer is a moving target for a number of reasons. There is much speculation and far too little research data in this field. Anecdotal material referenced from author Muzi Kuzwayo (*Marketing through Mud and Dust, Journal of Marketing Vol 8 No 5, 2002*)

2.2.5.1 Trends in urban settlement patterns: SA

In the urban areas of the former self-governing territories, a range of effects is apparent. Many such places serve as the centres of the types of changes in older towns like Lusikisiki or capitals like Mafikeng-Mmabatho, either or both the government and commercial sectors continue to grow; the local economies as a result continue to attract increasing settlement along the lines of the past generation: new residential estates, informal settlements in the town or on commonage, and increasing densities both in adjacent communal lands and along transport routes leading to such centres.

In the urban areas that have long had established local government, a different set of trends presents itself. Suburbanisation, peripheralisation, and densification capture some of the complex processes of change in the forms of urban settlement.

While there has long been a powerful process of residential suburbanisation in urban South Africa, what is relatively new is the market-related decentralization not only of shops but also offices and specialized services, and even of productive activity. To some extent these changes are a consequence of the increasing individualization of service provision and the larger scale of contracting out taking place in the hands of the large public and private sector entities.

Even in smaller towns there is a process of peripheralisation of economic activity, in which more commercial and service activity takes place from both new buildings and converted houses outside the established commercial centres. What constitutes valuable and desirable residential space also undergoes change in these circumstances.

These changes reach their peak in the larger towns and cities and have grave implications, at least in some cases, for the future of central cities and smaller commercial centres. Two different but in many respects similar examples are those of East London and Johannesburg. In both, there has been an extreme flight of sophisticated services (law, medicine, architecture, financial) to suburban localities, sometimes to newer concentrations but also to dispersed locations. The consequences for the central city economies are profound as large amounts of vacant space open up and rentals fall, discouraging new private and sometimes public sector investment.

Whatever the exact causes, there is certainly a powerful perception of the undesirability of central locations on the part of many in the suburbs. An element of racism, researchers agree, plays a part in this process, since central commercial districts are increasingly avoided by whites and occupied by others.

Other factors, however, are also significant. A key set of factors relates to accessibility. The building of peripheral freeways and other major roads made many suburban areas attractive for various business and residential purposes, in cities from Bloemfontein to Durban.

An aspect of suburbanisation or decentralization of work, which deserves further attention, is a parallel process of densification. Whilst some of the most dramatic change in urban environments has been in major new developments towards the outer urban areas, much increased intensity of activity has also characterized many older, lower density areas. New residential developments have been at much higher densities over the past five years than previously. It may be expected that these processes of change will continue and accelerate.

A second process affecting towns and cities is another form of peripheralisation. The abolition of apartheid controls has been accompanied by increasing less formal settlement in many places: for example, evicted farm workers in the Free State who previously sought bases in the reserves would increasingly appear to have found residences in the smaller towns. In most cases the new places of residence are in site and service areas, or more

informal places, located still further from town centres than former black townships. This peripheralisation may be observed in almost all South African towns and cities and overlaps with changes in the rural-urban relationships to which reference has been made above.

The end of apartheid has not yet meant fundamental change in national population distribution, urbanization and migration. However, in local circumstances, profound changes may be under way in settlements. Whilst no overt major changes in truly rural settlement patterns are identified, three significant trends with implications for local government present themselves:

- changes are underway in patterns of migration and settlement, in which some 'closer settlements' may be emerging as more substantial centres, with implications for future local government structures in such places.
- increasing densities around transport routes and many smaller centres, especially in former self-governing territories, pose questions as to the integration of their local governance with other areas
- the power of contemporary South African suburbanisation raises questions about demarcation in all those cases where suburban growth at the expense of central areas takes place outside the jurisdiction of councils whose local government areas give rise to that growth.

As South African consumer behavior patterns indicate a powerful process of residential suburbanisation in urban South Africa, with new market-related decentralization, this creates lucrative market expansion opportunities for an emerging multiracial market.

2.3 GLOBAL MARKETING STRATEGY

2.3.1 Market Segmentation

Consumers have a wide variety of needs, tastes and wants making it difficult for a company to serve the entire array. On a global scale, the process of addressing all consumers becomes even more complicated. Through global marketing segmentation, a company can identify and group customers according to common needs and wants.

2.32 .The Essential Role of Market Segmentation in New Product Development

Market segmentation and new product development are essential elements in the development and maintenance of successful competitive market strategies. The value of segmenting markets as part of the process of developing new products is paramount. The essential role of market segmentation in new product development is to divide a larger market into smaller segments with different preferences and subsequently adjust the product to the preferences in the different segments, which will reduce the overall distance between what is being offered to the market and what the market requires. By doing so the marketer improves his competitive position (F. Hansen, Backwards segmentation using hierarchical clustering, Graham, J Hooley et. al, *Competitive Positioning: the Key to Market Success*, Prentice Hall, 1993). The value of market segmentation can be illustrated by comparing characteristics of several market segments in both commercial and residential sectors. The data in these examples are taken from the MAISY State-Level Energy Marketing Databases.

Market information is presented using for four example residential segments defined by household income in the following table.

Customer Characteristics	Segment Definitions (Annual Family Income)			
	9k-20k	20k-35k	35k-50k	50k+
% US Households	19.3	20.1	18.1	33.3
Average Square Feet	1,432	1,721	2,020	2,722
Average Annual kWh	7,974	9,851	10,918	13,465
Average Annual AC kWh	940	1,301	1,587	2,125
% Owner Occupied	50.4	59.5	72.9	89.9
Average Family Size	2.0	2.2	2.7	3.1
Price "Very Important" in Purchase	55.4	34.3	34.3	27.6
% Households With PC's	8.6	16.5	25.6	43.4
% Familiar With Compact Fluorescent	39.1	52.3	54.1	59.1

Figure 2.8 Market segmentation in new product: Data source (<http://businessweek.com>)

From the above table of US segmentation it can be concluded that the upper end of the market have greater market share (33.3%) with technologically updated homes. This market segment is relevant to the research problems identified target market of an emerging multiracial target market especially for new product development.

2.3.3 Demographic Segmentation

Demographic segmentation is based on measurable characteristics and trends of populations including income and age.

- Income

In surveying most emerging countries as a possible target market, the single most valuable and important indicator of market potential is income. Examining this variable enables marketers to reach the most revenue-generating markets.

- Age

Each age group has differing tastes, preferences and lifestyles.

2.3.4 Psychographic Segmentation in Emerging Markets

Psychographic segmentation groups people in terms of their attitudes, values and lifestyles. Global advertising agency, D'arcy Massius Benton and Bowles (DMBB)

conducted research on fifteen countries, which identified four lifestyle groups: ***Successful Idealists, Affluent Materialists, Comfortable Belongers and Disaffected Survivors.*** The first two groups represent the elite and the latter two, the main stream emerging market consumers (<http://businessweek.com>)

	ATTITUDES	WORK	LIFESTYLE	PURCHASING BEHAVIOUR
DISAFFECTED SURVIVORS	<input type="checkbox"/> Unhappy <input type="checkbox"/> Distrustful <input type="checkbox"/> Dissatisfied	<input type="checkbox"/> Labour <input type="checkbox"/> Unskilled <input type="checkbox"/> Craftsmen	<input type="checkbox"/> Shut-in <input type="checkbox"/> Television <input type="checkbox"/> Sports	<input type="checkbox"/> Low cost <input type="checkbox"/> Suburb development away from city
COMFORTABLE BELONGERS	<input type="checkbox"/> Happy <input type="checkbox"/> Belong	<input type="checkbox"/> Craftsmen <input type="checkbox"/> Teaching	<input type="checkbox"/> Family <input type="checkbox"/> Gardening	<input type="checkbox"/> Middle class homes <input type="checkbox"/> Affordability-Prices Conscious <input type="checkbox"/> Brand loyal
AFFLUENT MATERIALISTS	<input type="checkbox"/> Happy <input type="checkbox"/> Ambitious <input type="checkbox"/> Industrious	<input type="checkbox"/> Sales <input type="checkbox"/> White collar <input type="checkbox"/> Managerial <input type="checkbox"/> Professional	<input type="checkbox"/> Trendy sports <input type="checkbox"/> Fashion mags <input type="checkbox"/> Travel <input type="checkbox"/> Dining out	<input type="checkbox"/> Conspicuous consumption <input type="checkbox"/> Credit <input type="checkbox"/> Luxury <input type="checkbox"/> Quality products upmarket site real estate
SUCCESSFUL IDEALISTS	<input type="checkbox"/> Inner growth <input type="checkbox"/> Improve world	<input type="checkbox"/> Professional <input type="checkbox"/> Entrepreneur	<input type="checkbox"/> Reading <input type="checkbox"/> Cultural events	<input type="checkbox"/> Ecology <input type="checkbox"/> Locality/Nature conservation

Figure 2.9 Psychographic Segmentation in Residential Development (Source adapted from Young and Rubicam Cross Cultural Consumer)

Affluent Materialists are status conscious up and comers, many of whom are business professionals. They use conspicuous consumption to communicate their success to others.

Comfortable Belongers represent the balance of the population.

To a certain extent the prototypes of comfortable belongers but more especially affluent materialists and successful idealists serve as the ideal target market for the research problem.

Culture

The diagrams below based on this model reflect the cultural differences between the emerging countries and the developed using the four mentioned dimensions.

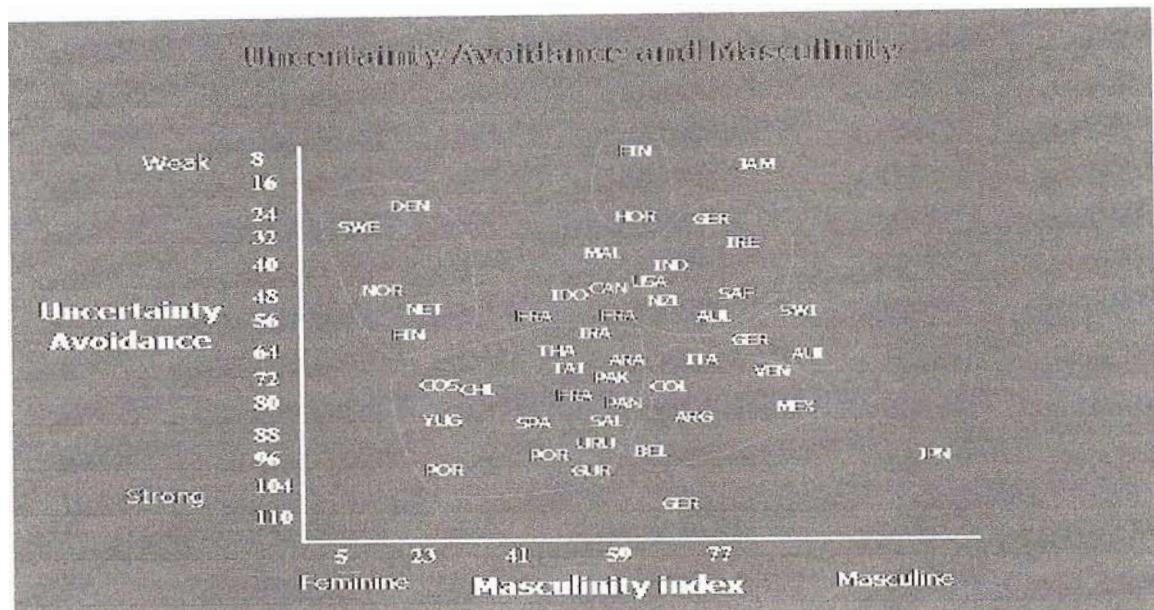


Figure 2.10: Hofstede's Model - Uncertainty Avoidance and Masculinity Index

(Source : <http://oz.uc.edu/~mehta/courses/Canada/culture/sld001.htm>)

The above figure illustrates that consumers in the developed markets such as USA are more flexible to change and these societies can cope with an uncertain future as it takes shape. The USA also scores high on *Masculinity Index*, an indication of having values such as success, money, competition and performance. Emerging markets such as Mexico on the other hand, in terms of *Uncertainty Avoidance*, scores high, indicating a need to meet the future in a more structured and formal manner.

Whilst developed markets such as the USA score high on individualism, emerging markets such as Pakistan and China score much lower indicating greater dependency on others within their society. The difference between the cultures of the emerging markets and the developed markets, lie along the *Power distance* dimension.

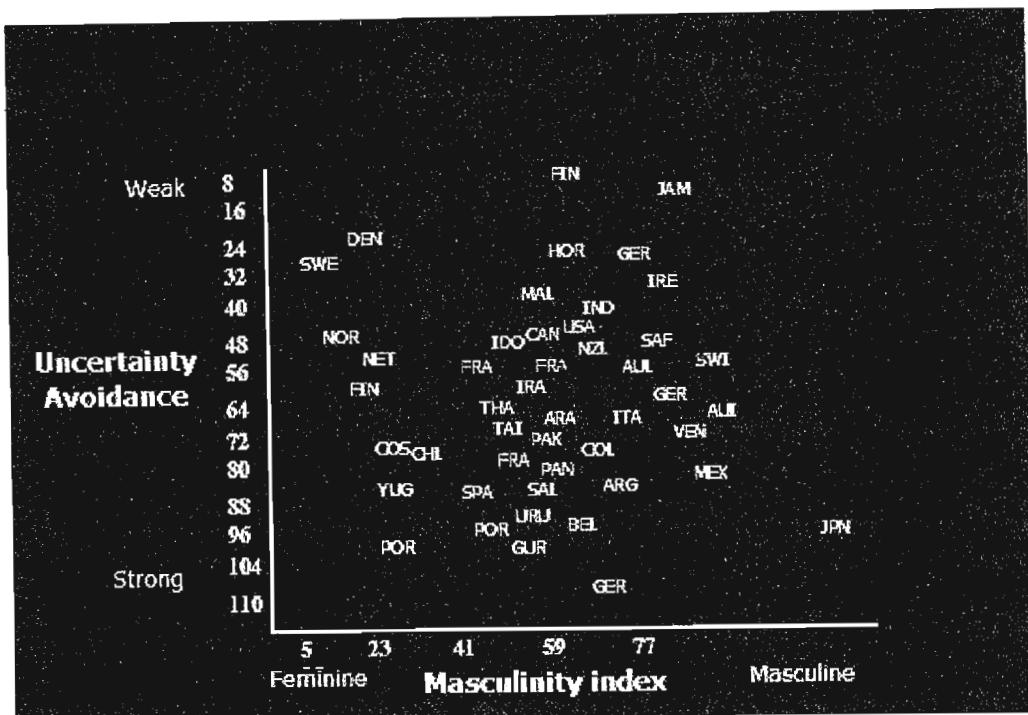


Figure 2.11: Hofstede's Model - Power Distance and Individualism

(Source: <http://oz.uc.edu/~mehta/courses/Canada/culture/sld001.htm>

2.3.5 The Female Market: SA's New Woman

Market segmentation reports highlight the female market as a lucrative target market locally. Bold and social empowerment drives single, career orientated women to claim their piece of turf in the property market.

A new generation of South African women are infiltrating the property market in that they own their own houses. From Sandton to Umhlanga, women under the age of 35 are leaping into the property market spending an average of R400 000 each on a home. Their spending has risen so sharply that according to one lending institution these women spent over a billion rand more on property this year than last year. (<http://businessday.com>)

Experts say that financial independence; social empowerment and the high rate of divorce are driving the trend. A study conducted by top home loan company Mortgage SA, based on

bonds registered by buyers over the last year to June, indicated that women buyers accounted for R5.5-billion of approved home loan applications, a billion rand more than last year. (Business Day, 16 October 2004)

South Africa's economic centre, Gauteng, is leading the trend, with 45% of the R5.5-billion spend coming from women. Their Cape Town and KwaZulu-Natal counterparts make up 24% and 22% respectively.

According to Rachel Wall, general manager of Absa loans, one of the biggest mortgage lenders, females either solely or jointly own 60% of all the homes on Absa's book. From an Absa perspective, the presence of women homeowners has shown an increase since 2000.

Along with this emancipation, women have taken up more prominent roles in the economy. In the emerging market, women have spearheaded their own small businesses in the community and informal sector. Education and employment were playing a role in changing the typical buyer profile in South Africa. Women tended to make excellent property investors because they were often better able to visualize the potential of a house. They look at the property's proximity to amenities, schools and hospitals, as well as the area's safety and security, as part of the property's intrinsic value.

According to Ken Woollcott, marketing director of Pam Golding Properties, women were playing an increasingly larger role as buyers in the South African residential property market. The main reasons for this are that there are more women in business and in the professions today than before. It is a trend that has been emerging for some time boosted more recently by the emergence of the *black middle class* and it is happening equally across all provinces.

According to Emarie Campbell, a Seeff licensee in Blauwberg, Cape Town, single, career-orientated women were realizing the value of owning a home. With the very high divorce rate in South Africa, many women secure homes of their own in the settlements reached with their husbands. This is very prevalent in the more affluent areas.

Namane Magau, president of the Businesswomen's Association, indicates that in the past there were many hurdles for women wanting to own houses or property. For instance, African women were not allowed to own or rent property under apartheid law.

Caroline Rait, a researcher at strategic marketing consultancy, Added Value, feels that a new generation of women is emerging. There is a new tribe of bold and bonded women who are confident, committed to self-empowerment, ambitious and driven. (<http://businessday.com>) This female niche segment offers lucrative market expansion opportunity for the research target market.

2.3.6 Global Targeting

Residential developments emerging market targeting necessitate for several factors to be considered when assessing segments. According to Kotler the most important criteria for target market evaluation and selection should be the segment's overall attractiveness. (Kotler 2000:274) The different components of market attractiveness include financial performance measures, market size and growth rate and buying behavior characteristics.

Global Tourism

Global targeting is significantly influenced by global tourism. Global tourism identifies Africa to be a popular international destination. Global tourism accounts for:

- **11% of worlds GDP**
- **Worlds largest employer: 200 million**
- **Creates 6-mil jobs p.a.**
- **Tourism Business grow to \$10 by 2010**
- **Global arrival Grow by +4%**
- **Africa: 75 mil arrival by 2010**

Residential development companies need to prioritize and monitor those macro environmental factors that influence its industry. South Africa possesses the following resources. In particular South Africa has:

THE DESTINATION MIX: THE 4A'S

- ❖ **Attractions-naturals, built and cultural**
- ❖ **Amenities-supporting offerings**
- ❖ **Accessibility-infrastructure**
- ❖ **Ambience-local vibe**

2.3.7 TARGETING

A. Target-Market Methodology

It is from analysis of migration trends and mobility rates that the depth and breadth of the potential market can be determined. Migration data quantify how many households move into a market area and from where they are moving. Mobility rates quantify those households that move within a market area.

The number of households that could potentially move to a given location in a given year describes the practical upper limit on market potential.

Migration analysis need focus only on in-migration, rather than out-migration or net migration. [Density.Volk_Zimmerman.pdf] While migration and mobility analysis provide a means for determining the quantity of those households that could potentially move to an urban location, the difficult task is determining their qualities and characteristics, and how those qualities and characteristics influence housing preferences.

Some household characteristics can be obtained through conventional research techniques. **Geodemographic** analysis, a methodology not previously applied to housing, has been proposed as a means of identifying which middle-income suburbanites have the potential to relocate to central cities (Lang, Hughes, and Danielsen 1997). Even without the refinements of migration and mobility analysis, **target marketing** was found to augment conventional data, and to have the potential to provide cities with a deeper understanding of their market advantages. Over the past decade proprietary target-market methodology has been utilized, which combines geodemographic data with migration and mobility analysis, to determine the depth and breadth of the potential market and the optimum market position for new development or redevelopment based on the characteristics of the market.

It is important to emphasize that the supply-side context cannot be ignored; it provides benchmarks of housing value. Although proposed new housing units need not be hostage to the supply-side context, neither can new construction be positioned in ignorance of supply.

Other Significant Urban Market Issues

► There is no single housing formula.

Placing urban markets as a function of market potential specific to an area means that one must accept that there is no formulaic housing mix to attract new households to urban

neighborhoods. (Zimmerman/Volk Associates, Clinton, New Jersey) Good neighborhood revitalization must respond to local market dynamics i.e., the preferences of the different household groups that make up the market for new urban housing. Household mix, the proportions of empty nesters, younger singles and couples, and families that make up the new housing market can differ greatly from city to city and from neighborhood to neighborhood.

Two US cities in that are commonly considered to have very similar dynamics St.Louis and Detroit in fact, have very different markets: Detroit's new housing market is predominantly family households, albeit nontraditional ones, whereas St. Louis has much higher proportions of empty nester/retirees and younger singles and couples and comparatively few families. (Business Day, 16 October 2004)

► ***The market potential for urban housing need not be a zero-sum game.***

A corollary to the concept that housing supply can create its own demand is that, Citywide, the creation of new housing in any one neighborhood need not be a zero sum game. This is an important issue when many city neighborhoods perceive themselves to be in competition for a limited number of households. New housing can be introduced into an urban neighborhood without cannibalizing other emerging neighborhoods.

The key is neighborhood *positioning*. Careful positioning is second nature to the best developers of master-planned communities, but is usually ignored by municipalities and sponsors of neighborhood revitalization. Emerging neighborhoods that target the proper potential market can change housing dynamics in the entire city. When new housing options are created within a city, these new units can capture households that otherwise might have settled elsewhere. They may also retain households that, because of a life stage or economic change, might otherwise have moved out of the city.

► ***New construction has the power to attract the potential market.***

A powerful rationale for an increasing number of households to leave familiar urban neighborhoods is the desire for newly constructed housing. In the same regard, introducing newly constructed housing into an existing neighborhood presents an attractive alternative to former residents of the area who have moved out of the city. The expense and annoyance of continued repairs on older housing stock can overwhelm many households; new construction

with new appliances in kitchens and baths, floorplans that match modern lifestyles, and ample closet space in the bedrooms becomes increasingly attractive.

- ***Phasing can influence the market.*** To attract the potential market, new urban housing construction must be seen not only in spatial terms, where and in what form housing should be built, but also in **temporal** terms, when each housing type should be introduced to the market. (Zimmerman/Volk Associates, Clinton, New Jersey) The first phase can make or break the development. What is at stake is more than the obvious efficiency of infrastructure and a careful matching of expenses with revenues. The first phase can have an impact on the potential market as well. The first phase must consider the image that is presented to the community at large. The type of housing built at the property's most visible edge must be very carefully targeted; it will convey most powerfully the character of the neighborhood to the potential market.
- The tenure mix of early phases can be critical. Despite the widespread objective of bringing homeownership into the city, rental housing can be an excellent first phase for neighborhood revitalization. Rentals can quickly transform neighborhoods, particularly those that have nonresidential elements. Rental units are leased at a much faster pace than ownership units are sold. Renters typically spend more time in the public realm because they are generally younger and their units are generally smaller than those of homeowners.
- ***The public realm should be matched to the market.*** Just as it is important to provide a range of housing matched to the potential market, it is equally important to provide a public realm that meets the cultural and leisure interests of that market. The commerce and culture of urban locations usually attracts young singles and childless couples, both young and older. Family households may also appreciate these attributes, but schools and security issues frequently deter households from remaining once children appear. Cities can retain families if they provide the three significant community elements that are required to establish or sustain urban residential neighbourhoods safe and secure streets, sufficient green space, and good schools.

► **The urge to suburbanize should be avoided.** Knowledge of the characteristics of households that have the potential to populate urban neighborhoods provides important insight: They will be attracted to appropriate urban design, not to an urban reinterpretation of low-density suburban forms. Good urban design places as much emphasis on creating quality streets and public places as on creating quality buildings.

► **Design should not signal socioeconomic.** For urban neighbourhoods to attract and sustain a diverse mix of households, a **neutral socioeconomic** design is required. The affluent will live in mixed-income neighbourhoods if the occupants' income level or tenure is not discernible from the street. This can be achieved through consistent construction quality and the mixing of rental and for-sale buildings and units throughout the community.

The above global target market methodology outlines germane criteria essential to the current research problem of being able to satisfy multiracial consumer needs in creating a neutral socioeconomic design fundamental to attracting an emerging target market.

B. Targeting-South Africa

Local reports illustrate that SA city brands turn are fairly traditional: **Gauteng**, the go-ahead industrial and financial center; **Durban**, the beach playground in the Zulu kingdom; **Cape Town**, the city of Table Mountain, wines and a mixed culture; and **Port Elizabeth**, heartland of the export-orientated motoring industry. Each city is reinventing its brand in line with black-ruled South Africa and the demands of the global knowledge economy for conferencing and better-quality, more technologically innovative products. In a sea of destinations for fixed investment, there are few locations that can be truly described as treasure chests for investors. According to a report released by the eThekweni municipality the challenges that Durban faces in the next decade are to increase per capita income to R33 000 a year from R19 000 and to create 650 000 jobs (*Journal of Marketing Vol 8 no 6 2003*)

According to (Property Synopsis) residential property has grown by an average of 19% p.a. over the last 4 years, with some sectors (golf /wine/ retirement estates) experiencing much

higher returns. In a recent worldwide safe haven investment survey, SA's Western Cape coastal property was ranked second only to coastal property in the Balkans.

With the very low cost of living, the fantastic Mediterranean climate and the stunning scenery, SA is fast becoming home to a large number of overseas swallows spending 6 months a year away from the European winter.

Due to the number of worldwide disasters in the last few years, South African tourism has grown phenomenally. In 2002, the number of tourists grew by 21% from the previous year. Coupled with the hosting of major international sporting and business events, the number of people visiting SA is growing continuously. This increase in awareness has created a very active overseas buyers market for residential property, due to the obvious beauty of the country and the very low cost of entry.

While its size (almost 91 500 km²) represents a mere 7.5% of the total area of South Africa, KwaZulu-Natal now produces over 16% of the country's economic output. Economic activities in KwaZulu-Natal are centered in the Durban metropolitan area. Durban offers features that make investing in South Africa a truly rewarding experience.

It possesses world-class container port that hosts most international shipping lines. A geographic location that offers easy access to growing markets in South Africa as well as countries in the Persian Gulf, Indian Ocean, South East Asia, Pacific Rim and East Coast of Africa. Low cost of business and living. Exchange rates that favour export of manufactured goods. Well-represented manufacturing and services hub. Highly skilled personnel with strong work ethics. Durban also boasts:

Favourable trade treaties with the East and West. Strong technical educational institutions. A financially well-managed local government. Well-developed transport infrastructure serving all growth centers. Seaside location characterized by all-year good weather. Lifestyle and recreational opportunities that rank amongst the best in the world. Together these features guarantee that expanding your business interests in Durban will be both a successful and pleasant experience.

Durban was chosen as the preferred city on the African continent because of the city's focused long-term plans including those for the Southern Industrial Basin, the Point

Waterfront and business development. (Thabalang Properties) The initiative is project driven and the impacts are environmental benefits, poverty reduction as well as social improvement. In turn Durban and its citizens will experience greater economic development and improved quality of life.

According to Mr Golding the long-neglected central city area of Durban, highlights the high concentration of art deco buildings that are ripe for redevelopment. Inner city conversions of former office space to residential apartments has proved popular all over the world, and the appetite for such developments in South Africa is rapidly being proven in Cape Town.

Private developers are highly active in Durban: new residential, commercial and industrial developments are sprouting across the city. One such developer is Kuwait-based International Financial Advisors (IFA), which is investing \$100m over 10 years in Zimbali coastal resort, a luxury leisure and residential development north of Durban.

Jassim al-Bahar, chairman of IFA, says his company, which is invested across the world, sees great potential in KwaZulu-Natal, the provincial home of Durban. Early proposals envisage a new resort, the Zimbali Hotel and Beach Resort, which would feature a beach vacation club, spa, country club, resort retail amenities and luxury villas to be developed around a new 18-hole golf course. If it goes ahead, the resort is due to open in 2007 and a top internationally recognized branded hotel operator would be contracted to manage the property.

Target methodology utilized specifically in Durban and KZN coast offers productive potential in capturing this study's multiracial emerging target market.

2.3.8 Market Positioning

Positioning embodies the act of designing the company's offering and image so that it occupies a meaningful and distinctive position in the target customers' minds. A modification in the products **positioning** for development is strategic to market entry. This alludes to the mental image that the brand has. The following are essential to the achievement of appropriate positioning in the building blocks business strategic positioning.

- Service market positioning
 - Targeting the un-served, but emerging market by offering highly differentiated service
- Service distribution strategy
 - Distributing services through established channel partners

- Network rollout strategy
- Rolling out network quickly by leveraging existing infrastructure of established network partners
- Product and technology strategy
- Building long term sustainability by selecting world class manufacturers
- Building fundamental competitiveness by using cutting edge, commercially proven technology.

Market positioning for residential developments through perceptual mapping of forming a positive image of the product creates a positive portrait for the company in order to successfully capture the identified emerging multiracial target market.

2.3.9 Expansion opportunities in emerging markets

Emerging markets offer lucrative opportunities and risks for firms embarking on market expansion. They are often rich in natural resource and have high demand for capital goods and a wide range of products and services. They are also favoured locations for manufacturing firms wishing to exploit cheap labour, low taxes and minimum regulations. Saturated home markets, fierce competition and restrictive legislation offer companies the viable option to go global and enter emerging markets. Emerging markets not only contain not only 80% of the world's population but reflect a population growth that is at its most rapid. Any company striving for international business, the growth and expansion of the world economy and population, will have an acute interest in emerging markets.

Advantages for companies are welcoming governments, unrestricting legislations, subsidies, greater rates of return and the potential through economies of scale for cost efficiency. Companies are given various lucrative avenues to invest in emerging markets as these governments seek to attract their foreign investment. The growth strategy of these governments is to offer global companies these avenues to promote their country and provide economic stimulus locally.

The disadvantages for entering into emerging markets are political and economical instability of the host country, clash of cultures, language issues, inability of local employees to meet the corporate culture ideals of the company, among others. A crucial disadvantage is that in emerging economies, capital markets are relatively inefficient. There is a lack of

information, the cost of capital is high and venture capital is virtually non-existent. Because of the scarcity of high quality educational institutions, the labour markets lack well trained people and companies often must fill the void. As a result of lacking communications infrastructure, building a brand name is intricate but good brands are remarkably valued because of lower product quality of the alternatives.

<http://www.quickmba.com>.

Without emerging markets such as China and South Africa, developed countries will not succeed in their global market share. Emerging markets not only offer great opportunities for global markets to penetrate the emerging countries domestic market, but emerging countries provide a platform for international companies to establish manufacturing and distribution sites which will further reduce manufacturing cost, thus making the international firms product more cost effective and globally competitive.

The same cannot be said for an emerging country like South Africa, where the labour force is perceived to be less productive, but paid comparatively relatively high wages when compared to other countries, as there is a strong trade union presence which was established during the irregularities of the past. Therefore South Africa could be perceived as a market where opportunities exist for global products to be sold domestically rather than being used as a basis for manufacturing in.

South Africa, although classified as an emerging country, boasts a range of resources and technology, which are considered first world and which puts us in a favourable position to exploit opportunities within other emerging markets. South African companies have been at the forefront of research and development initiatives and have managed to achieve great success. Global tourism opportunities need to be capitalized by Durban that is well positioned to take advantage of international market expansion. Therefore ideally placed SA offers profitable opportunity for market expansion prospects by capturing a multiracial emerging target market.

2.3.9.1 Emerging markets offering great expansion opportunities

Exporting

Emerging markets offer lucrative potential for global companies international expansion.

The Boston consulting group proved that a doubling of output can reduce production costs. Thus, emerging markets offer economies of scale. Entry to emerging markets could be gained through **safety valve activity** (Czinkota, 236), to stimulate export sales through short-term price cuts.

Emerging markets offer great expansion opportunities by offering a lifeline to products that are at the declining stage in the *product life cycle*, where the product life cycle could be expanded by expanding the market.

The infrastructure of emerging markets is attractive to foreign demand. Exporting could be utilized as an effective expansion strategy. The global foreign demand for services can be utilized to lower the cost of the service Export intermediaries may be used domestically to sell the service abroad. The service can also be sold to multinational corporations as an input for foreign sales. Market intermediaries could also be used to deliver the service to global marketers and Export management companies (EMCS) through export channels and trading companies.

Exporting expansion into emerging markets necessitate the following stages:(Czinkota, 236)

- *Exploratory stage*-considering the feasibility
- *Experiment exporter*-to psychologically close countries
- *Export adaptation*-transforms its activities in accordance with exchange rates.

Licensing

Licensing is used as a successful entry strategy as it does not require capital investment, knowledge or marketing strength in foreign markets. Licensing offers expansion incentives in emerging markets for multinational corporations to rapidly enter foreign markets by capitalizing on new competition. It also affords additional return on R&D costs incurred. Especially in emerging markets it reduces risk to government intervention as the licensee is a local company that provides leverage against government action. The benefits to using licensing for market expansion include:

- Internationalization-by testing foreign markets without major involvement.
- Preempting a market prior to competitive entry.

- Offers global protection of intellectual property rights.
- Offers market entry with a foreign concept reducing the risk of R&D failures.

Franchising is beneficial for expansion into emerging markets as it reduces risk by implementing a proven concept. It's a mutually beneficial concept. For the source country it does not replace export jobs and for the recipient country it requires minimal outflow of foreign exchange. Entry into emerging markets is gained through the Master Franchising system (Czinkota, 242) where foreign partners are selected and awarded rights.

The above market expansion opportunities are pertinent to the research problem of capturing a multiracial emerging target market. This discussion highlights requisite strategies presented to enable residential development companies with alternate modus operandi for enhancing the company's attained growth. It provides innovative prospects for expanding the company's market share by comprehensively delivering to emerging multiracial target consumers' needs.

2.4 MARKETING MIX

2.4.1 PRODUCT

Product Adaptation

Global market trends focus on customer needs and expectations to be paramount. Product adaptation through adding new features of a product or new line items has applicability globally. Companies upon reaching saturated markets in single units entered the lucrative new emerging markets of cluster developments illustrate this. New product features of cluster development not only experiences incredible success in but meet with consumers increasing security needs. Positioning needs to keep competitors out not draw them in.

Factors that encourage product adaptation for emerging markets include:

- Differing use conditions
- Differing consumer behavior patterns
- Local competition

The factors that affect product adaptation decisions include, local characteristics, product characteristics and company considerations. Residential developments focus on **branding, product position, activation, price position, and advertising**. Segmentation and positioning are therefore synonymous concepts. Criteria for segmenting highlight that market segments should include:

- Customers within a homogenous segment.
- Similar responses to marketing mix.
- Cultural considerations.

Through segmentation the set of brands is positioned to strategically claim the market. Segmentation must be positioned across psychographics. For segmentation the **5 W's** with regards to the product (**What, Who, Why, When & Where**) in residential development are important considerations. Examining the needs of the product in every department is vitally imperative.

Factors that encourage product adaptation for emerging markets.

- Differing consumer behavior patterns
- Local competition

- True to the marketing concept
- Differing use conditions

2.4.1.1. Product & Brand Portfolio Management

Residential accommodation is the key to the redevelopment of cities into vibrant 24/7 places. An article in “Emerging Trends in Real Estate” distinguished between two types of cities, those that it described as having "24 hour environments" and "9-to-5s" respectively. (<http://CITICCHAT Neil Fraser.htm>)

The former were distinguished as attractive and busy and the latter as emptying out at five o'clock. The differentiation wasn't merely academic. The article pointed out that in the US it was the cities with twenty-four-hour environments that were showing economic strength while 9-to-5 downtowns continue to suffer.

Wharton Real Estate Review discusses the profile of what makes a downtown a flourishing 24-hour place. People prefer working closer to home. Thriving residential communities in and around business districts are the key to preserving 24hour environments. Downtown housing does more than provide convenient homes for collar workers.

Residents populate the streets after the offices close contributing to a feeling of vitality. Their presence reinforces the perception and the reality of public safety. Residents patronize local merchants creating a diversified retail base, filling the gaps between the Gaps. Residents support local institutions, museums, concert halls, and art galleries. They are the glue that binds together the larger downtown attractions.

Locally the concept of a product that offers a 24-hour lifestyle has significance. Flourishing residential communities in and around CBD's hold true to the marketing concept. Urbanized South Africans are finding practical convenience in 24hour residential environments. This concept designed for modern upmarket residents is rapidly gaining momentum as illustrated by recent consumer trends. The extension and expansion of this product line offers residential development companies a beneficial niche to capture and infiltrate. The SA emerging multiracial segment represents this target market.

2.4.1.2 BRANDING

A. Essence of branding

The target group in the emerging market mix dictates the marketing mix, transforming the product into branding. A brand is a cluster of benefits, some functional mostly emotional, of a product with personality which appeals to mind and heart. Branding simplifies choice and guarantees a quality mark of pride through its name, symbol or design that identifies its product. Brands are positioned to meet the needs of specific consumers and are recognized as being different and/or superior to alternatives. Defining a brand emphasizes its key benefits for consumers. **"In the absence of branding everything becomes a commodity."** (Marc Salence-Branding and NPD Course GSB MBA)

Pathway modelling is utilized for a better understanding of consumer preferences. This involves identifying the tangible marketing activities that create intangible connections that are invaluable as strong brands rest on compelling and distinctive emotional connections with their customers. It is imperative that global firms wishing to expand their market share in emerging markets, completely understand the market when it comes to pricing strategies, promotional strategies, logistics management and implementing the marketing plan and control. The **Virtuous Circle** identifies the following strategies pertinent to the residential marketing mix: 1) Offer the best value in quality and price. 2) Promote aggressively. 3) Offer high utilization to suppliers. 4) Exchange for low input costs without sacrificing quality.

The majority of modern Business philosophies like Total Quality Management and World Class Manufacturing are without doubt consumer-oriented. These modern business philosophies have relevance to local residential developments. There are few areas as consumer driven as marketing. When a company "*thinks global and act local,*" it makes its marketing strategy customer-driven. When the consumer becomes your main focus rewards will follow. This strategy warrants emulation in order to attain local companies desire to meet multiracial emerging market needs.

B. Brand Portfolio strategy

➤A company's brand portfolio needs to be comprehensively cohesive and well put together. Two important points to emphasize about the brand range is key *points-of-difference* in each

product category as well as *points-of-parity* become critical. It is worth noting that these two observations characterize many brand extension strategies.

- The brands association is an important one as it works at both the product-level as well as a more symbolic, nonproduct level. This duality is one that characterizes strong brands.
- Through the selection of a **positioning strategy**, marketers can influence the knowledge structures consumers have for a brand. Positioning a brand involves choice of a target market, a competitive

arena, and the sets of features on which a brand is going to be similar to and different from its rivals.

The strategy of compiling a catalogue of game rules beginning with what can be seen to be newly working in umbrella form is gaining momentum. Practitioner guidelines, which have been issued contrast good *umbrella branding*, practice with one-product brand rules of thumb. Brainstorming the increasing variety of advantages, which umbrella branders are inventing, is highly recommended.

C. Power Brands

The following essentials are important variables of a power brand focus on the valuation of brand equity according to the Interbrand group:

Brand leadership	25pts
Internationality	25
Stability	15
Market type	10
Trend	10
Support	10
Protection	5

The essentials to **power brands** are characterized by:

- Understanding customer needs
- Effective design and quality control
- Superior quality in areas that matter to customers.
- Advertising
- Relative perceived quality
- Exceptional customer value

D. Company image and Price Value

A US 2003 study, based on responses from nearly 24,000 residential customers, shows the customer service factor improved nationally compared to 2002. The utility companies included in the study each service more than 250,000 residential customers nationwide.

The diagrammatic illustration below of Residential Satisfaction Component Weights noticeably indicates that company image accounts for 40% weighting closely followed by Price and value with 30% weighting.

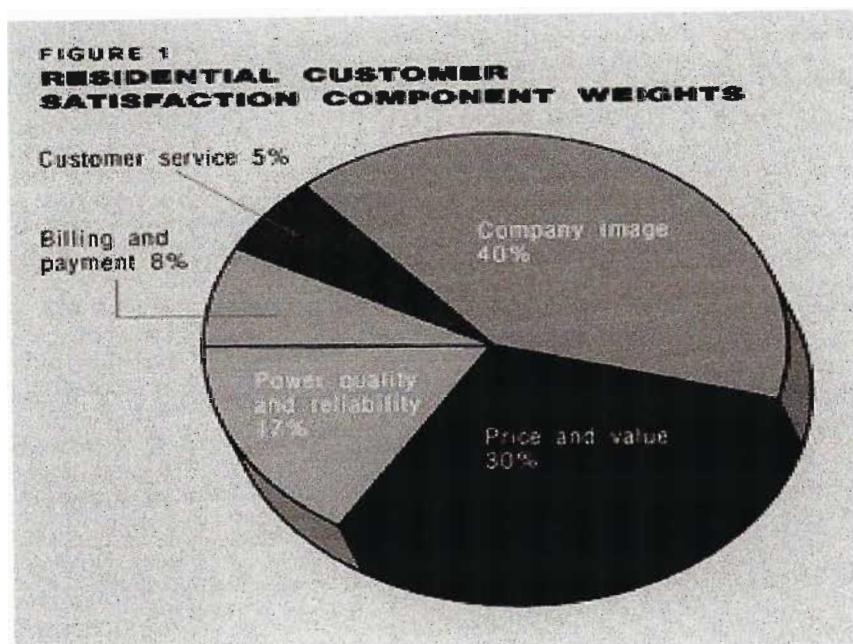


Figure 2.12 Residential customer Satisfaction Component Weights

(Source: News & Trends.htm)

Company image and price/value are still dominant factors for the property industry, but power quality and reliability, billing/payment and customer service have more of an impact with this year's respondents. According to, Jeffrey C. Conklin, director of Navigant Consulting, the ultimate differentiating factors in a competitive retail market are product quality and service. Many utilities have improved this year largely due to enhancements in delivery and customer service. The investments made in technologies, processes, and human resources are reaping rewards.

E. Eventive Marketing

Reaching consumers in unique, creative and motivating ways attains redefining event marketing. Consumers need to be captured in a positive frame of mind in order to embrace a new message. By forging relationships and emotional bonds between brand and consumers, the brand is separated from the pack. That is how a product is churned into a preference, the foundation for brand loyalty. Evidence suggests that positive mood does enhance the recall of brand names.

The more consumers remember brands, the more likely they are to buy them. Combining strategic execution with vision, creativity and passion, key marketing and business objectives are addressed by connecting consumers and brands on a uniquely emotional level. If a brand connects with consumers' lives at the moment of key decision, their attention is gained. If the brand experience is infused with great emotional and personal value, their hearts are won.

Eventive marketing knows its consumers, who they are, where they live and what they do, their passions, pastimes and preferences and what drives them. By focusing on events and activities they care about, and by reaching them at a time when they are receptive, we create relationships that cultivate emotional preference for the brand is created. Eventive marketing partners with clients to create and execute programs that address key brand and business objectives. It increases brand awareness, encourages trial, and stimulates purchase.

As a result impact is achieved bottom-line with quantifiable, measurable increases in awareness and sales.

F. Branding South Africa

The following market segmentation indicates that for successful market penetration entry the company needs to embark on an intensive ***brand activation*** strategy in order to create brand awareness. This necessitates for the company to reposition its product appropriately. South Africa is successful in emulating global residential vibrant 24/7 places.

Inframax's new trends

Inframax Developments, a subsidiary of Inframax Holdings (Pty) Ltd and one of the faster growing residential developers in South Africa, report that trends, which have paid off in its KwaZulu Natal developments, are now increasingly being introduced to new Inframax

projects in Gauteng and the Cape. (Business Report, 2004)

Analyzing this appeal, it is interesting to observe that home styles are increasingly driven by lifestyle choices rather than attempts to adhere to a certain look. These lifestyle choices are a response to the weather and climate, which in South Africa is conducive to outdoor living. South Africans are opening up their homes to the garden areas, and designing to allow living and bedroom areas to flow into verandahs and patios. The flow between the different areas is facilitated by the use of large French or sliding doors. According to John Weaver, Executive Director of Inframax Developments, Inframax has become one of the front-runners in KZN development and this is due to its designs appealing to today's buyer. The new freer designs facilitate more open, relaxed and friendly ways of living. (www.businessreport.com)

Integrated kitchen, living and dining areas promote lifestyles in which people relate to one another and on many new homes the tried and tested Colonial, Victorian, Edwardian and Georgian styles are regularly used while Tuscan and certain other styles are now often thought to be clichéd and hackneyed.

The attraction of indoor/outdoor living has also made outdoor braais and/or pizza ovens on the verandahs almost a standard feature, while in the gardens there is now an increasing use of calming water features. Fountains, streams, fishponds and even little waterfalls, all non-U two decades ago, are now back in fashion.

The war on alien vegetation, strongly supported in KwaZulu-Natal by the local authorities, has also had its effect on residential designs. There is a strong demand for indigenous gardens, which use less water and require less maintenance while being more appropriate to South African settings. Modern lifestyles have resulted in kitchens being larger and better equipped and occupying more prominent front row positions on floor plans with large windows overlooking attractive sections of the garden.

Small kitchen windows looking onto backyards are no longer acceptable and it is also common for bathrooms also to have large view windows, sometimes looking onto planted courtyards.

These changes are not just more prevalent in holiday homes but the informal holiday lifestyle

is nowadays what many people want in their main home supplemented by greater security and privacy of gated villages which make it possible for larger groups of people to live in touch with their gardens and the natural environment. Inframax will this year (2004) launch 300 homes onto the market with a total value of R200 million.

The above consumer trends in emerging markets that Inframax successfully identified and emulated are distinguishable emerging target market trends. They offer nascent opportunities for residential multiracial emerging markets to capitalize and penetrate. Consumers' modern lifestyle patterns indicate a desire for homes to be vibrant 24-hour places that make for versatile indoor and outdoor living quarters. In the emerging multiracial SA residential target market, the key to building brand awareness, equity and activation is to combine forward-looking market segmentation with a better understanding of customers and a brand's identity. Residential development companies are starting to build their brands more scientifically-and in doing so are pushing marketing to new frontiers. The wealth of information about consumer buying patterns and the availability of sophisticated statistical tools allow for greater precision and accuracy in undertaking these tasks. Reaching the next level by identifying tomorrow's segments today requires a rigorous, data based edge to branding. In this way diverse needs of an emerging multiracial residential target market can be effectively delivered.

2.5 PRICE

The price that is attributed to a product often indicates the positioning of the product. Companies sometimes price their products higher than competitors, in order to position their product as being more superior. However, this strategy may not be effective in emerging markets, especially for a new product.

2.5.1 Pricing Strategy

Consumer's in the emerging markets today are much more affluent than they were before their countries liberalized, but they are not affluent by Western standards. Income levels that characterize the Western middle class would represent a tiny upper class of consumers in any of the emerging markets. Pricing strategies should therefore be appropriate to the target

market context and circumstances and relate to the value that these consumers perceive the product to have.

Setting an export price when entering a new emerging market presents a first time pricing situation to real estate. In this situation firms have the option of **price skimming**, where they charge high prices for the purpose of maximizing profits in the short run (Rice, 1991). Penetration Pricing will be more effective in building the volume of sales in emerging markets. Once the company has achieved market penetration, prices can be increased to solidify the **premium positioning** of the product.

2.5.2 SA House prices still on upward spiral

Locally the property market is booming with residential prices escalating at a rapid rate. Current market indicators reveal that the residential property market continues its strong performance with a nominal year increase of 27.7 percent recorded in house prices in August 2004 (<http://www.proudlysa.co.za>), according to Absa in its latest monthly house price index. However, Absa dismisses fears of a price bubble.

The revised growth in house prices in July was 26.8 percent. The year-on-year growth during the first eight months of the year averaged 25.1 percent. The real growth in house prices is based on the most recent headline consumer price inflation (CPI) figures, which measured 1.6 percent year-on-year in July. The average real year-on-year growth during January to July 2004 was 23.8 percent. (<http://businessweek.com>)

The strong real growth was based on a relatively low headline CPI inflation rate of 0.7 percent on average during this period. Recent long-term analyses of indicators such as the ratio of house prices to remuneration, the level of real house prices and the price new and existing houses in South Africa, have indicated that these were not at historical highs, especially when compared with the boom of the early 1980s.

There are many factors currently supporting the property market, which were not present or entirely different to the early 1980s. These include personal tax relief, lower transfer duties on property, strong growth in the real disposable income of households, a relatively low ratio of household debt to disposable income and the improved investment status of property compared with that of other asset classes.

Relatively low inflation and interest rates and a strong domestic demand for housing as a result of an increasing number of households and a rapidly growing middle class amongst previously disadvantaged communities also played a role in keeping housing prices on the boil.

In view of the above-mentioned indicators and various supporting factors, the residential property market is still regarded as being in an extended boom phase rather than experiencing bubble conditions. Interest rates are not expected to increase sharply during the next three years. The rand exchange rate is projected to depreciate gradually against the major international currencies over this period, which will contribute to CPIX inflation remaining within the inflation target range of three percent to six percent. These developments will support a policy of relatively stable interest rates during this period.

These positive contributory factors place residential development companies on an advantageous platform, necessary to capitalize and exploit these conditions in successfully meeting the needs of an emerging multiracial booming target market.

2.6 PLACE, DISTRIBUTION, INTERMEDIARY

Place gleans the location where a product is marketed. A critical element of a firm's marketing mix is its distribution strategy, i.e. the means it chooses for delivering the product to the consumer. (Hill, 2004: 578). Place strategies should be based upon existing resources and channels and systems already operating. Residential developments need to select target areas where the product is launched in correlation with consumers needs.

The following pictorial representation of market potential indices identifies Gauteng 28% and KwaZulu-Natal 18% to offer highest market potential in SA.

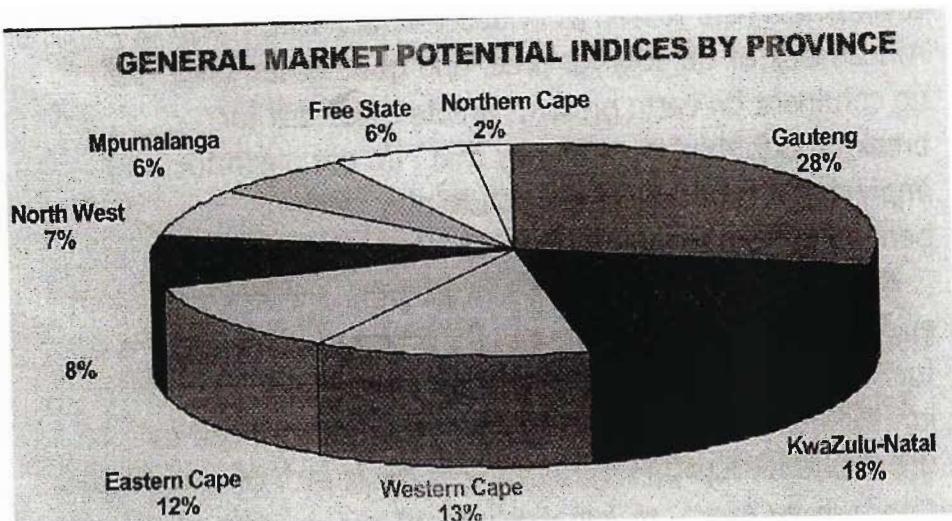


Figure 2.13 Market Potential Indices of Provinces in SA

(Source: Journal of Marketing Vol 9 No 3, 2003)

The following diagram identifies districts according to market potential.

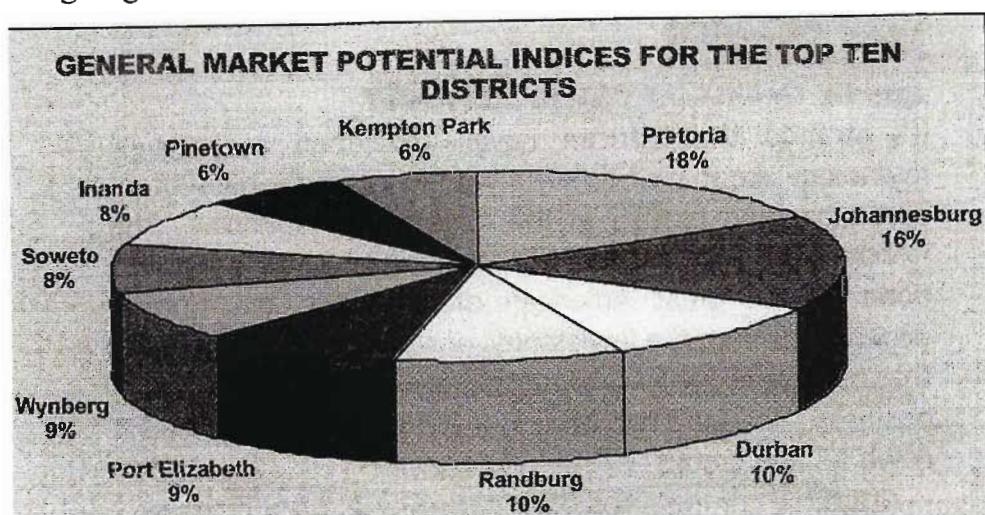


Figure 2.14 Market Potential Indices of districts in SA.

(Source: Journal of Marketing Vol 9 No 3, 2003)

The above diagrammatic representation identifies Pretoria, Johannesburg and Randburg as lofty potential districts. As a vital centre for multimodal transportation and value-added activities, KwaZulu-Natal (18%) is determined to assume a dominant role as the continental gateway to southern Africa. The country and the province of KwaZulu-Natal in particular offer many competitive investment advantages and opportunities, enhancing this as a preferred investment destination.

Enormous potential for foreign businesses exists in South Africa, one of the most sophisticated and promising emerging markets in the world, with the costs of doing business in this country comparing favourably with other emerging world markets. South Africa possesses:

LOCATION

- Placed on the crossroads of east and west, the region has ties with Indian Ocean rim nations and the best access to those on the Pacific rim. An unmatched strategic geographical position on world trade routes provides easy access to all major global markets of the Americas, Europe and the Far East.
- As a gateway to all the major local markets in South Africa, there is perfect placement for the servicing of industries and consumers in the country's other provinces, as well as being a springboard to the developing markets of sub-Saharan Africa, with links deep into the African continent.

MARKETS AND RESOURCES

- Agreements on trade, development and cooperation facilitate the development of secure markets for businesses.
- Phenomenal resource endowments include an abundance of established intermediate industry inputs, services and support from downstream industry, with a well-developed agricultural industry possessing significant potential and a range of raw and semi-processed materials.
- Based on consideration of costs, certain selected industrial undertakings can be operated more profitably if established here than in other competing investment regions in the world.

INFRASTRUCTURE

- South Africa's premier container facility as well as the busiest, deepwater bulk and breakbulk port, with the largest capability for handling containerised sea traffic. An extensive road, rail and air network is in place.
- Prime sites are situated in industrial parks close to ports and major transportation routes, with a range of existing and greenfield industrial and commercial property readily available.
- Superlative information technology provides access to global telecommunications highways, with high-speed international links and a mobile communications network regarded as one of the best.

- Comparatively low industrial electricity tariffs are available, among the cheapest in the world, with the entire province linked to the national power grid. (Thabalang Properties)
- As one of the best-watered regions, there are ample water resources, with huge storage dams supplemented by many natural lakes and water supply of excellent quality available at low cost.

BUSINESS ENVIRONMENT

- Local government is financially well managed, with key organisations tasked with promoting economic development and achieving objectives.
- A well-established fiscal environment exists, with a stable, market-orientated business culture.
- Comprehensive banking, insurance, legal and other professional services are available.
- There is a plentiful supply of both skilled and trainable labour, as well as proven entrepreneurial abilities, with the dedicated workforce recording minimal loss of working days due to strikes (the lowest of all the provinces). Labour costs are low and productivity superior, with high standards of local management. Wide-ranging legislation is aimed at promoting training and skills development in order to fast track the improvement of world-class competence.
- There is significant capacity in the strong network of educational and training institutions to develop skills further. Direct access is provided to a broad technical base and numerous support institutions (such as the Council for Scientific and Industrial Research, the South African Bureau of Standards, the Council for Mineral Technology, and departments of tertiary institutions).
- Thus SA is an ideally suited place for meeting the modern lifestyle needs of an emerging multiracial residential target market.

2.7. PROMOTION

The effectiveness of a firm's international communication can be jeopardized by three potentially critical variables: cultural barriers, source effects and noise levels. (Hill, 2004: 581). Hence promotional strategies must be culturally and socially sensitive and appropriate to the specific context and circumstances of the target market. With regards to emerging multiracial target markets, residential reports highlight the following promotional strategies to be pertinent:

2.7.1 Residential Sales

There are 4 main elements to residential sales. They are:

1. Project Marketing for residential apartments
2. Residential Re-sales
3. Land Sales
4. International Sales

2.7.2 Project marketing for residential apartments

Globally residential project marketing is a highly complex discipline that gives both developers and purchasers access to PRD nationwide's entire range of specialist divisions and the exclusive network both nationally and internationally.

PRD nationwide leads the nation in marketing residential development projects. It sells thousands of residential apartments, units, serviced apartments and strata titled hotel rooms each year, using an integrated approach to sourcing buyers from throughout Australia and international markets.

PRD is committed to providing developers with a total residential project marketing service ranging from identifying suitable sites, market research, customer focus meetings, site and product analysis, consultation on conceptual design and product finish, pricing and coordination of advertising, and public relation services, right through to completion of the sales phase. (www.prdnationwide.com 2003)

2.7.3 Land Sales

PRDnationwide's project marketing managers are uniquely placed to help guide developers throughout the marketing process from the preliminary planning stages through to sellout. They prepare detailed strategies and take responsibility for implementation and co-ordination. Traditional land development concepts are being challenged by demands for higher population densities and the creation of different precincts within a project, suitable for a variety of living options. Planning, pricing, product type and supply need to be given careful attention based on accurate research and analysis of market trends. All consulting services necessary for marketing are coordinated. Project staff are comprehensively trained; they provide creative teamwork and maintain detailed client reporting procedures.

2.7.4 International Sales

PRD nationwide was one of the first to realize the significance and potential of the Asian market and the company, through it's affiliates, has offices and agency networks covering Hong Kong, Singapore, Kuala Lumpur, Jakarta, and South Africa. A large number of properties throughout Australia from townhouses and villas to up-market high rise apartments and major commercial properties have been successfully sold to international investors through PRD nationwide's network. PRD nationwide is also affiliated with the Australian "Commercial Property Network" (CPN) and in turn with Cushman and Wakefield Worldwide, which is one of the world's biggest commercial networks.
(www.prdnationwide.com 2003)

2.7.5 PROPERTY MANAGEMENT

Property Management is made up of two segments:

1. Commercial Property Management
2. Residential Property Management

PRDnationwide's specialist property managers ensure returns to property owners are maintained at the highest level by maximizing occupancy rates.

Each of the divisions has invested extensively in property management computer systems, which provide landlords and tenants with a detailed reporting system.

(www.prdnationwide.com 2003)

2.7.6 RESIDENTIAL FRANCHISEES

PRDnationwide is committed to the ongoing growth of its franchise operations, and takes care to ensure that each franchisee offers an exceptional level of service and expertise expected in all fields of real estate. Since incorporating residential franchising into its marketing strategy in the mid eighties, the company has grown to include over 140 franchise offices creating a strong network throughout Australia. In recent years, PRDnationwide acquired the Nationwide Realty group and the Asset Realty group, which have added substantially to the Sydney office network. PRDnationwide's greatest strengths lie in the following five areas:

1. Research
2. Experience in residential project marketing

3. Sophisticated technology and internet services
4. Exceptionally strong management training
5. The ability to grow small businesses into large businesses

PRD'S project marketing integrated approach has applicability for emerging multiracial residential target market promotion locally. It can be utilized to source buyers locally (Durban), provincially (KZN), nationally (SA) and globally. Its land sales management cater for a variety of living options through research and analysis of market trends. This sales management, which makes provision for client reporting procedures, would assist local residential developments by identifying customer needs and expectations. Using a computer system for feedback is an efficient method of assessing current success; thereby proactively making provision for future customer needs. Local developments incorporating residential franchisees into its marketing strategy is efficient in enhancing the capturing of emerging multiracial target market expansion globally, thereby ensuring growth.

2.8 REPOSITIONING

Locally a repositioning strategy enables Eco-City project to place Ivory Park on the map. Ivory Park is at the forefront of environmental change, as residents pioneer a unique eco-friendly village that is the envy of cities across South Africa.

The picture below illustrates the new image that repositioning furnishes Ivory Park with, from an informal settlement to a revamped eco-village.



Figure 2.15 Repositioning Ivory Park November 11, 2004

(Source: SkyscraperCity Forums - South Africa - The Transformation.htm

A decade ago Ivory Park was a scar on Johannesburg's landscape. Currently residents of this bustling informal settlement are pioneering an eco-friendly village that cities across the country are trying to emulate.

Ivory Park is like many other informal settlements in South Africa, desperately poor. Flimsy shacks are crammed alongside each other in a tight race for space. Observed during the middle of the day, hundreds of people are lounging around the township's streets. Tucked behind a street punctuated with potholes, is the result of a brave experiment by a Johannesburg NGO and local residents. To an outsider, the Ivory Park urban eco-village, east of Midrand, would probably seem out of place in this battered landscape.

Repositioning this residential development transforms this location into a colorful community, where buildings are painted with murals depicting life in Ivory Park, and

expansive food gardens stretch into the distance. Residents have a selection pick of bicycles to save money on transport or recycle one's waste. There is also the intention of building an eco-bank, with simple saving schemes to help people set up their own small businesses.

The NGO's vision to transform just over two hectares of Ivory Park into a self-sustaining village started as a bold and risky experiment in 1999. Looking at the eco-village, it is clear it is a far cry from its former life as a dumping ground a mere few years ago.

The eco-village is a place where people work, play, grow their own food and generate their own energy. The village, however, is not an island but strives to be in partnership with the broader Ivory Park community.

The long-term goal of the eco-village is to create a self-sufficient, ecologically friendly community. It is largely a poverty alleviation project. People who live there are exposed to pollutants and don't have access to resources. By repositioning this eco-village money is saved, jobs are created and people's use of their natural resources are enhanced in a way that conserves them and improves their lives.

Repositioning residential developments facilitate for niche multiracial markets to be captured. Although Ivory Park is an alleviation project, it's repositioning has relevance to emerging residential target markets. This strategy could be implemented through the development of an existing residential development (product) in a new area or a comprehensively new product in an existing area.

2.9 CONCLUSION

Statistics indicate that emerging markets are the fastest growing economies in the world. Hence it begets that many national and multi national companies favour such lucrative markets in order to capitalize on these opportunities to optimize business potential in the achievement of enhanced sustainable market growth.

Although Moreland Developments is a private South African based company, its product portfolio has already achieved substantive growth in KZN. Global residential trends that have been examined highlight distinguished trends in USA, UK, Australia and the Far East. These trends illustrate a propensity to modern lifestyles represented by all age multiracial markets. An expansive analysis of the South African environment exhibits pertinent Economic/Demographic and Social/Cultural considerations impacted through mass urbanization. Segmentation of developing countries in transition as well as urban settlement patterns in South Africa are examined, identifying renowned International and local companies that are capitalizing on these lucrative opportunities. Market segmentation of developing countries in transition identified global and emerging SA trends according to demographics and psychographics. Targeting and positioning strategies highlight prolific areas for market expansion and new product development. The marketing mix designates the extent to which product and brand portfolio management; branding; pricing; place; promotion and repositioning policies can enhance residential development.

Hence property developers can successfully enter emerging markets with diverse targeting and positioning options based on the segmentation of these markets and upon a comprehensive definitive contextual understanding of the target market in terms of cultural, social issues, financial circumstances, values and morals, traditions, tastes and specific needs, preferences and perceptions. The above expose forms an encompassing secondary data analysis reservoir, to be utilized by residential development companies in their search for emerging global and local consumer trends.

CHAPTER THREE-METHODOLOGY AND DATA COLLECTION

3.1 Introduction

The purpose of this chapter is to discuss, the research method employed in obtaining the results of the study. This includes a discussion on the basic research design, the sampling and the data collection as well as the statistical techniques used to analyze the results.

The research design chosen acknowledges that this subject industry (Residential Development) is a volatile one, considering the interwoven fabric of the South African context. The degree with which the research question has been crystallized requires an exploratory study designed to glean a comprehensive understanding of consumer behavioral trends and market trends in order to determine if similar experiences can be predicted based on studies undertaken in the United States of America, United Kingdom, Australia and the Far East.

3.2 Research design

The research utilized both qualitative and quantitative research methods. With regards to qualitative studies the researchers observation plays a big role and data tends to be verbal or behavioral in nature. Qualitative research data consisted of non-numeric information such as descriptions of behavior or the content of people's responses to interview questions.

When deciding on the basic type of research to conduct, two opposing types existed: logical positivism and anti-positivism. Wellman and Kruger, (2001) explain that the positivism approach aims to formulate laws that apply to populations and that explains the cause of objectively observable and measurable behavior. Anti-positivism on the other hand makes a case for the researcher to be involved in the measurement, experiencing it first hand.

The design chosen is an exploratory/descriptive research design. There is no control group and all variables are measured at the same time using an interview as well as a questionnaire. The research is primarily quantitative, but also involves the collection of qualitative data aimed at producing a comprehensive understanding of people's behavior as a whole. By combining these two types of methodologies the researcher aims to gain insight into the research problem. This merging of methodologies known as Methodology Triangulation is a

compatibility procedure designed to reconcile the two methodologies by eclectically using elements of both as these contribute to the solution of the problem.

The current study will conduct descriptive research, which aims to describe the characteristics of an existing phenomenon. The existing phenomenon in the current study is the status of residential development in emerging markets and the consequential impact of consumer needs/trends in these target markets.

3.3 Sampling plan and design

The sampling plan involves choosing the type of sampling method to be followed as well as defining the population and the sampling frame.

Stratified random sampling was utilized. Stratification is usually more efficient than simple random sampling, which necessitated for the selection of this technique. The ideal stratification aims to have each stratum homogeneous internally and heterogeneous with other strata. Given that this study has several important variables about which conclusions need to be drawn. In this study the dependant variable (Residential Development) is appositely related to the target market, consequently it was decided to stratify the sample.

Primary data was collated through an interrogation communication study through experience surveys and a questionnaire. Proportionate stratified sampling classifies each stratum to properly represent the sample drawn from the stratum's share of the population. This method was selected for the experience surveys, as it not only offers a higher statistical efficiency, but also provides a self-weighting sample.

The sampling frame for the experience surveys

Experience surveys through an investigative format was undertaken in the form of:

1. Personal interviews with unit managers from a popular Real Estate Agency based in Umhlanga and Westville were selected. The reason that Umhlanga was selected, is that it defines the target area of new and residential development and Westville as it defines the target area of existing developments. Another reason for this selection was that research undertaken for Moreland Developments indicated that although the target market's

Blacks were financially sound, however, they were not purchasing from MD. It needed to be ascertained whether this race target was investing in residential development and to identify these areas of investment. Both these areas profile the company's market segmentation analysis criteria of LSM 7+ professionals, illustrated by middle to wealthy households. No attempt is made to project the results of this survey onto the whole of KZN's population, but the results could rather be used in further research projects attempting to make inferences to the entire population.

2. Personal interviews with Moreland Developments purchasers. The reason for this stratification was to extrapolate pertinent data, from the relevant target population, which represents the existing consumer base, as to the reasons for their residential purchase.
3. Personal interviews with interested Moreland Development non-purchasers. The reason for this stratification was to extrapolate pertinent data, from the relevant target population, which represents the probable consumer base as to the possible reasons of their non-purchase from MD.

The sampling frame for the questionnaire

Sampling was done based on a non-probability method referred to as convenience sampling. The questionnaire was administered to persons whom the researcher made arrangements with to be able and willing to complete the survey. The survey was administered at a specific time to Unilever staff in diverse positions across the various divisions covering all departments, in a hard copy format. The reason for selecting this sample frame was the appropriateness of the locality with regards to the company's target area, Umhlanga. However, the researcher did not anticipate logistical problems in undertaking this administration. Although 100 hard copies of the questionnaire was printed, getting permission from Unilever's corporate division to undertake this survey proved problematic and eventually, access into the company could only be gained through the services of the researcher's supervisor Marc Salence, who works in the company and arranged for the survey to be administered to the divisions that he could gain access to. The initial sample of 100 could therefore not be attained. This necessitated for a sample to be drawn from other company's professional employees. The researcher liaised with colleagues to administer the survey at their respective departments in their companies, namely, KPMG and Pricewaterhouse Coopers.

3.4 The sampling design

A secondary data analysis was undertaken. The analysis comprised exploration of the company's archives. A report of prior research recently undertaken for the company by a research company was not available. Data from external sources which was analyzed included books (business, strategy, marketing); journals; periodicals and the Internet gateway.

With regards to the experience survey real estate managers were interviewed using an investigative format for their specific subject knowledge. Purchasers and interested non-purchasers were interviewed also using the investigative format.

With regards to the questionnaire the design was ex post facto since the researcher had no control over the variables of the marketing environment and its stakeholders in terms of being able to manipulate them and the subjects were not assigned to treatment and control groups in advance. The nature of the study was cross sectional as it was undertaken once and represented a snapshot of a point in time of the company.

An initial questionnaire was designed in three parts. A motivating letter was attached to the questionnaire informing participants as to why the survey is being conducted as well as assuring participants anonymity. Part 1 required demographic information of importance such as gender, race, job description income, number of children, etc. Part 2 comprised a multiple choice, single response scale where only 1 answer is sought. Each question offered 4-6 possible answers. Included in the alternatives was an alternative (other-specify), to cater for an elective not specified in the alternatives. A pilot study of the questionnaire undertaken, necessitated for changes in the original design. With reference to part 2, question 15, alternative 2 was ambiguous and therefore open to respondent subjectivity. Alternative 2 was subsequently reworded. Question 17, part 2 proved problematic in the pilot study. Misinterpretation with regards to participant response was also identified; the solution required not only changing the number of alternatives from 6 to 7, with alternative 1 requiring a split into 2 alternatives but also the rephrasing of the first alternative. Question 18 alternative 4's ambiguity necessitated change from "appeal" to "aesthetic appeal." Although part 2, question 22 was of a promotional nature; it identified the communication medium and not the specific type. Therefore an open-ended question, (23 which was not originally designed), identifying the print publication was included.

For Part 3, a Likert scale was selected as a measurement scale due to its usefulness to the manager of an organization in undertaking a program of change, for which this study is particularly relevant. Question 52 proved problematic in that it was vague, requiring clarity for the respondents. It was subsequently rephrased. In the original design of the questionnaire no open-ended questions were included based on the assumption of the researcher that open-ended questions were time consuming and would therefore not be answered by respondents. However, as the pilot study did not provide the researcher with the required answers 4 open-ended questions were included in the final questionnaire.

Stratified random sampling was selected to increase the sample's statistical efficiency and to provide sufficient data for analyzing the various subpopulations. It was also selected to identify behavioral characteristics of the target group. The variable that was used for the questionnaire was LSM classification.(7+). Nonprobability was used as it met the sampling objectives. The method selected was convenience sampling, which included Unilever employees.

3.5 The method of data collection

The communication approach was utilized for the personal interviews. The researcher gleaned information that the respondents could provide by making the respondents understand his/her role and motivating them to play that role. Personal rapport with the rapport was instantly established with the administration of skilful probing to supplement the answers volunteered by the respondents. The researcher through personal interviewing was able to explore the topic in great depth. However, this method was time consuming and its flexibility could possibly have allowed for interviewer bias. Intercept interviews were conducted with MD's purchaser as well as non-purchasers from client reports supplied by Moreland. Although initially one on one interview was planned by the researcher to attain relevant information from the interviewees, reluctance on the part of the respondents made telephonic interviews more accessible. Only when participants were assured anonymity, were they willing to participate in the interview. To allay interviewee apprehension the letter addressed to participants was faxed to interviewees. Through succinct probing the researcher attained success with the intercept interview. With regards to the real estate managers, prior

arrangement was made for in-depth interviews with probing questions planned by the researcher.

A self-completion questionnaire (*Appendix E*) was designed to address the investigative questions to which this study sought an answer. A pilot test, which was conducted to provide proxy data for sample selection, also detected weaknesses in design. The pilot survey was conducted with a sample from Pricewaterhouse Coopers representing the target population of this study LSM 7-8+. The identified weaknesses in the survey instrument necessitated for changes in the content and structure of the survey instrument, cited in 3.4 above.

With regards to this questionnaire an intercept study was utilized through the administration of a traditional questionnaire in a predetermined environment; which was the respondents workplace. This was managed without interviewer assistance. As anonymity was assured, the respondents could be perceived to be truthful. The survey instrument was supposed to be administered in the first week of December 2004 to the identified sample set (100) with a covering letter detailing the purpose of the research, proved problematic. The initial sample (100) was to be drawn from professional employees representing all departments of Unilever in diverse levels. Logistical obstacles hindered this method. Additional to difficulty with gaining access to the selected company other companies consulted were reluctant to allow the researcher permission to administer the questionnaire. The alternative method of data collection necessitated for data to be collated from employees of three different companies, which granted the researcher permission to administer the questionnaire in order to draw a reasonable sample. The questionnaire was delivered to the companies and collected on a specific date.

It must also be borne in mind that the researcher is not an employee in a corporate company, which would have facilitated accessibility necessary for the administration of the questionnaire.

3.6 Survey instrument design considerations

It should be noted that self-administered surveys suffer from low response rates. A covering letter therefore was provided to offer the respondents insight into objectives of the study and articulate specific definitions that would facilitate the answering of the in-depth questions.

The researcher was available on site during the allocated response time for the intercept survey to facilitate collection. Anonymity was assured to respondents and no personal details were called for in the survey. Since a contract was signed between the researcher and Moreland Developments to produce this study by a specific date for the implementation of recommendations in the new financial year, time was of importance. A deadline was set for the return of the questionnaire.

3.7 Measuring instrument

The test instrument was designed to address both the quantitative and the qualitative aspects of the research. Specific attention was designed to address both the quantitative and the qualitative questions in particular.

- To identify consumer behaviour trends in local residential development.
- To recognize pertinent global patterns in emerging multiracial markets.
- To determine the nature of the relationship that exists between development companies and emerging residential trends.
- To establish multiracial emerging residential needs/expectations
- To assess to what extent these consumer needs are being met.
- To evaluate the applicability of adopting emerging global patterns to fashion local requirements.
- To establish strategies apposite to meeting the needs of multiracial emerging markets.
- To evaluate strategies the residential division can implement to enhance business success from the consumers' perspective by adapting to appropriate purchasing trends.
- To recommend modifications to the company's existing strategies to meet changing market dynamics.
- To formulate suggestions on brand awareness, brand activation, client relationship management and affinity marketing techniques.

- To recognize areas for future research.

The questionnaire consisted of three sections.

Section one obtained demographic information of importance such as gender, race job description income, number of children. The second section comprised a multiple choice, single response scale where only 1 answer is sought. Each question offered 4-6 possible answers. Included in the alternatives was an alternative (other-specify), to cater for an elective.

A third section addressed income, value and cultural aspects of residential consumer needs/expectations and required to indicate forthcoming considerations on a Likert scale of strongly agree to strongly disagree.

Intercept interview

Intercept interviews were conducted through an investigative format to retrieve specific data was undertaken through probing. The researcher designed the investigative interview questions.

3.8 Conclusion

In this chapter the research method employed in obtaining the results of the study have been discussed. This included a discussion on the basic research design, the sampling and the data collection as well as the statistical techniques used to analyze the results. The degree with which the research question has been crystallized required an exploratory study designed to glean a comprehensive understanding of consumer behavioral trends and market patterns in order to determine if similar experiences can be predicted based on studies undertaken internationally. This is a statistical study that attempts to describe the likely characteristics of the population by making inferences from the sample characteristics. This study used a stratified random sample of residential consumers based on a stratified geographical sampling frame.

CHAPTER FOUR: RESULTS OF STUDY

4.1 Introduction

The purpose of this chapter is to report on the results of this study by analyzing the survey undertaken. The interviews will be analyzed through the researchers insight and analytical ability. The questionnaire will be analyzed through the use of the SPSS statistical software package (version 11.5 for windows). Commencing with the demographic section of the questionnaire, responses will be scrutinized in terms of their distribution and percentage responses across all sectors, transforming the data into information across a range of categories from demographic statistics through to the specific variables of interest apposite to this study.

For the purpose of this study race is identified as a dependent variable in correlation with the problem statement. The problem statement's objective is to attain proportionate consumer demographic representation without eroding the company's success attained in specific racial denominations.

This chapter analysis deals with qualitative and quantitative data relevant to residential patterns, expectations and needs as it emerged from the study based on the objectives built into the design of specific questions in the survey instrument.

This chapter together with the secondary data gleaned from the review of literature in chapter two forms the foundation for the discussion that follows in chapter five where further discussion of the qualitative results of this study are explored.

4.2 Interview response analysis

4.2.1.Purchasers

An investigative format was used to interview purchasers. Three Moreland purchasers were interviewed. They concurred on the issue of the awareness of the development company's name. Quality was an important pre-purchase decision. Although the location of the area was a motivation in the decision to purchase, the value of property in the Umhlanga was the most important pre purchase decision. Considering that the property market boom in South

Africa is supported by escalating property prices, the value of property has become an increasingly significant factor in the buying decision making process for the consumer.

4.2.2. Non-Purchasers

An investigative format was used to interview non-purchasers. Three non-purchasers that were identified from MD's client interest were interviewed. They were aware of the name Morelands. Location of the ideal residence area was identified as Umhlanga. The reasons for non-purchase ranged from: 1) the alternative of purchasing from an estate agent offered a safer option than purchasing from a development company. 2) the restrictions of the development company's rules was imposing to the consumer, impacting negatively on the consumers decision to purchase.

4.2.3. Real estate managers

An investigative format was used to interview real estate managers from Remax and Wakefield's in the Umhlanga and Westville areas. All the managers concurred that consumer behavior trends in both Westville and Umhlanga was proportionately representative to the demographics. It was surprising to note that the ratio of Black customers in the Umhlanga area was equivalent to that of other racial denominations. Real estate managers in the Umhlanga area did not experience skewness with regards to demographic representation. This was contrary to the demographic profile patterns highlighted in the problem statement, where black African consumers were noticeably absent from MD's consumer base.

With regards to type of home, townhouse was the most popular resident consumer choice. According to the managers, townhouses offered lifestyle as well as security benefits. Security is regarded as an important priority to the purchaser. Restricted access with security gates is a prerequisite on the consumer criteria needs list.

With regards to the type of house that was most sought after, consumers preferred 3 bedrooms, main en suite with 2 bathrooms. A double garage was also needed to be included in the structure. This trend was largely evident in both the Westville and Umhlanga areas. A pool was an important criterion in the Westville area, but not so in the Umhlanga area. Race

of neighbours was not a determining factor in the selection of a house. Elderly people were positively influenced in their purchasing decision if there were other elderly people in the complex.

With regards to price, in the Westville area there is a great demand number for the R1m-R1,5m category. In the Umhlanga area the demand is higher falling within the R1, 5m-R2.2m range. The real estate managers outlined the Real estate code of conduct, which necessitated for the agency to be obliged to protect both the seller and the buyer. This code of conduct offered security to the purchaser, thereby enhancing sales. The real estate managers concurred that they were content with sales in their respective area.

4.3 Questionnaire response analysis

Seventy hard copy questionnaires were distributed to the three companies identified in chapter three. Three questionnaires were returned unanswered, representing 4.28% of the sample. The estimated target response in the sampling design in chapter 1's approximation of at least 95% of the total number of respondents was accurate, in that the actual response equalled 95.71% of the total number of respondents.

4.4 Analysis of data

4.4.1 Demographic analysis

The case-processing summary below indicates answered responses from 67 respondents.

Case Processing Summary (a)

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
RACE	67	100	0	0	67	100

Figure 4.1: Summary of survey responses

116011

The demographic profile of the sample is reflected in the table below classified according to total numbers per race group. The demographic representation of the population sample as illustrated below for Blacks and Indians is equivalent, followed by Whites and Coloureds respectively.

Black	20
Coloured	12
Indian	20
White	15

Figure 4.2: Demographic profile

The data below shows the profile of the sample described in terms of age. The data reveals that majority of the respondents (36/67) are young adults emanating from the 25-34-age category.

	18 - 24	25 - 34	35 - 49	50 - 60
Black	1	12	5	2
Coloured	-	8	4	-
Indian	1	13	5	1
White	3	3	5	4

Figure 4.3: Race –age distribution

Demographic profile of the sample classified according to income is represented below. The data indicates that the elite income earners emanate from the Black race group.



	100000 - 150000	150000 - 200000	> 200 000
Black	6	6	8
Coloured	7	1	4
Indian	4	9	7
White	7	1	7

Figure 4.4: Income distribution

Respondents from this survey were categorized according to job description. It is evident from the data collated that black Africans occupy senior positions and therefore fall into the higher income categories as illustrated in figure 4.5 below.

	team member	supervisor	junior manager	middle manager	senior manager
Black	3	4	4	6	3
Coloured	6	1	2	3	-
Indian	9	3	3	3	2
White	9	1	1	1	3

Figure 4.5: Job description

4.4.2. Residential needs analysis

The following data is analyzed from Part 2 of the questionnaire.

With regards to type of house that respondents prefer most respondents selected townhouses. Figure 4.6 below indicates that Blacks, Coloureds and Whites favour townhouses. Townhouses are therefore in huge demand for all age group of residents offering convenience that modern lifestyle trends are accompanied by. Single residential unit-home is identified as a close second. When questioned about the selection of an ideal area to live in Durban: Blacks, Indians and Whites across the resident age population selected Umhlanga, as their first choice while Durban South is favoured among the Coloureds as reflected by Figure 4.7.

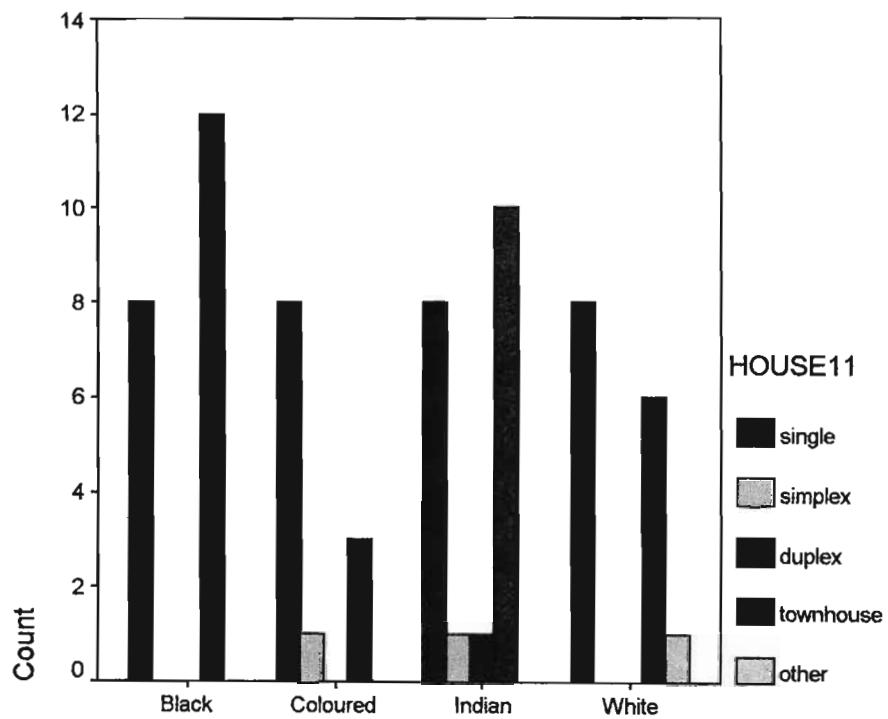


Figure 4.6: Type of house

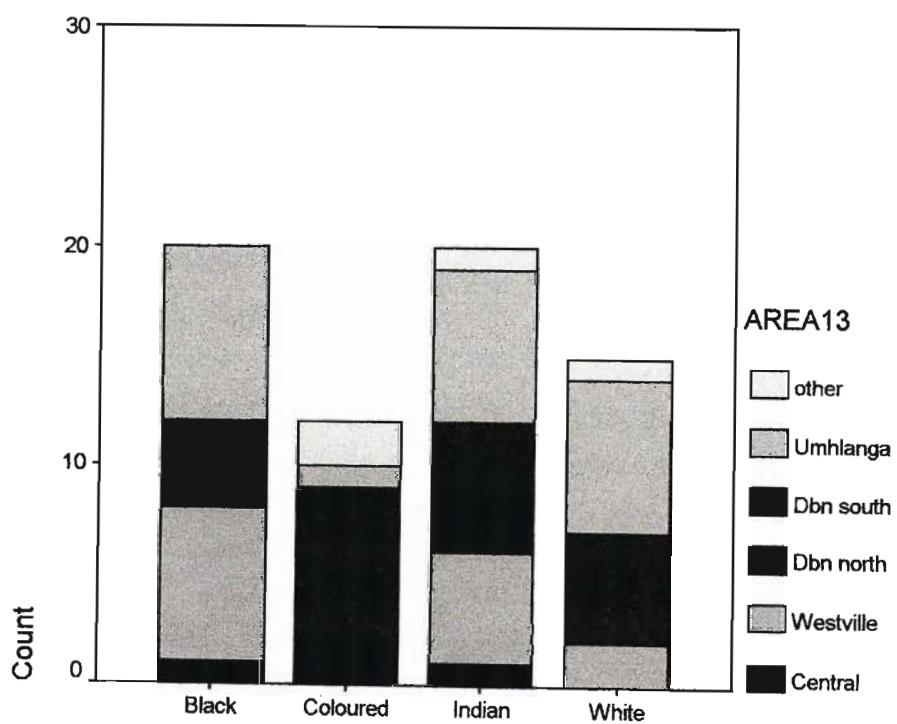


Figure 4.7: Race area selection

Overall respondent area selection clearly highlights Umhlanga as the ideal place to live in as reflected in figure 4.8. When respondents were questioned about the reason as to why the neighbourhood appeals to them, the majority of the respondents selected the variable, location as specified by figure 4.9 below. Location of area is the determining criteria with regards to resident neighborhood appeal.

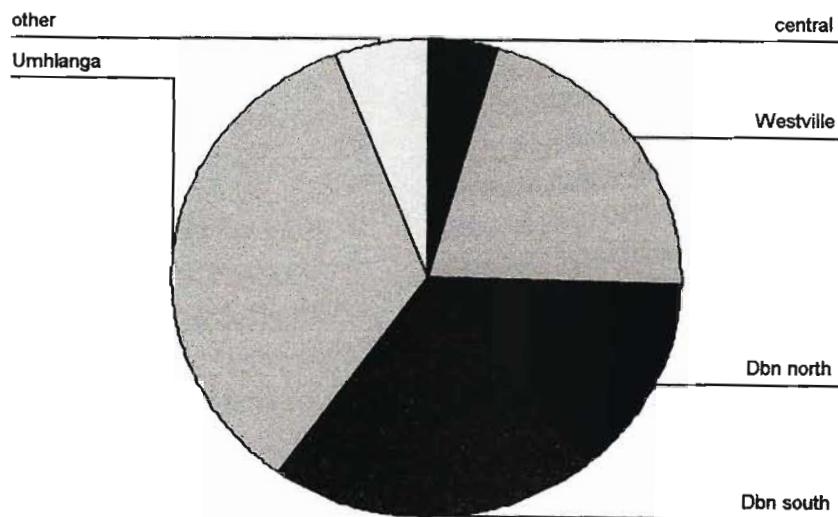


Figure 4.8 Overall area selection

	Culture	Status	Location	Other
Black	1	5	13	-
Coloured	3	-	8	1
Indian	4	2	14	-
White	2	2	10	1

Figure 4.9 Neighborhood Appeal

Respondents were offered varied electives with regards to safety and security options. Safety features that were considered to be most important indicate a strong bias towards security

estate access indicating that residents need to be well secured within the neighborhood confines.

	Remote access	Estate access	Electric fencing	Burglar guards	Other
Black	10	9	1	-	-
Coloured	2	1	3	5	1
Indian	4	9	5	1	1
White	2	6	-	5	2

Figure 4.10: Safety features

All race respondents regard lifestyle entertainment features as being an important priority for modern living. The figure below is an illustration selected by all racial groups that the largest monetary allocation in the home should be apportioned to it.

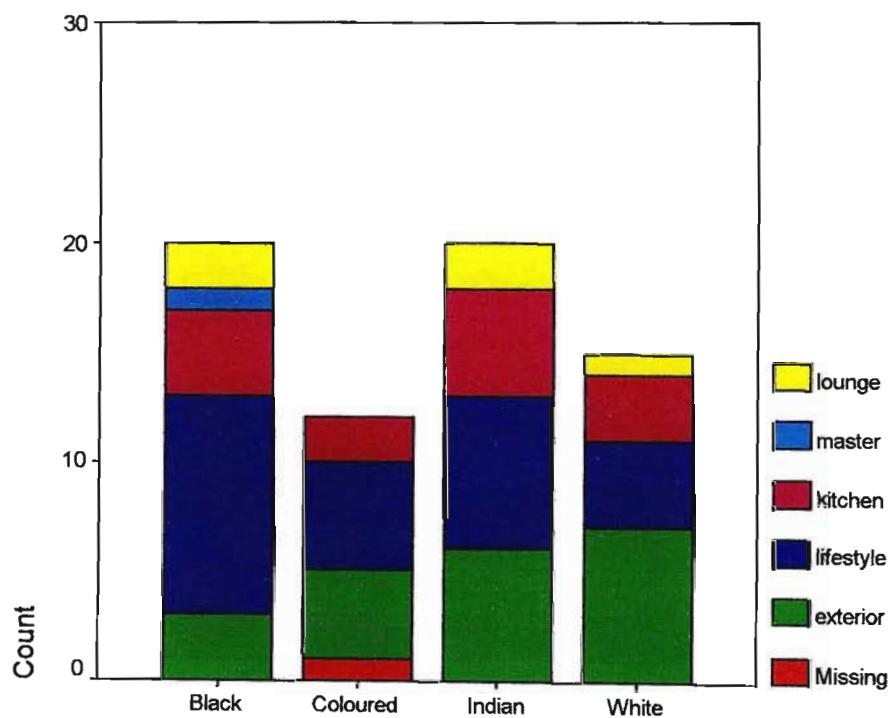


Figure 4.11 Monetary allocation

Respondents were asked to identify the criteria according to which the neighbourhood should be classified. The importance of aesthetic appeal of the neighbourhood across the racial denomination is reflected in the following table.

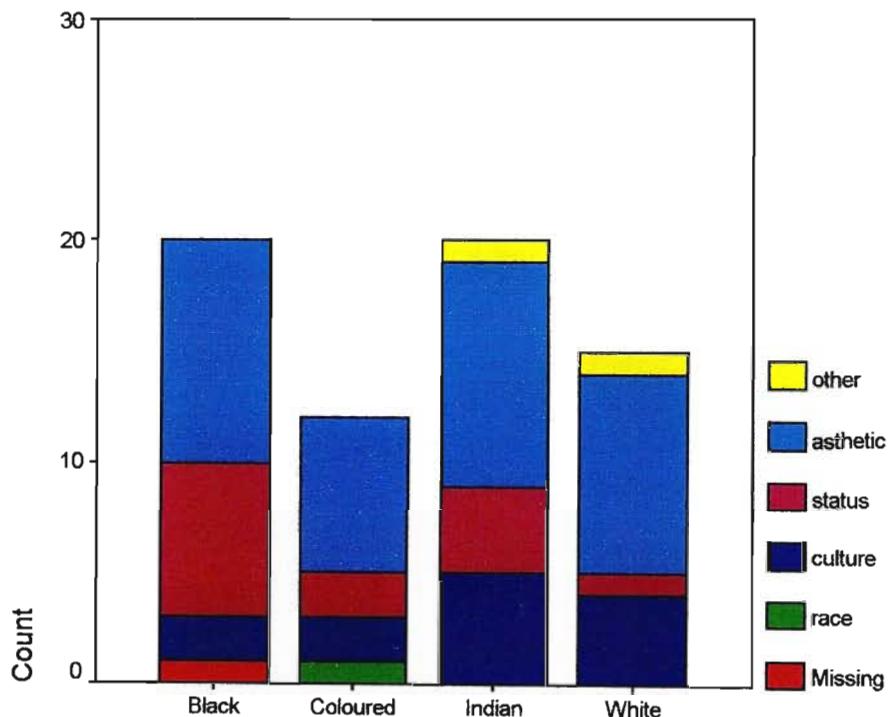


Figure 4.12: Neighbourhood classification

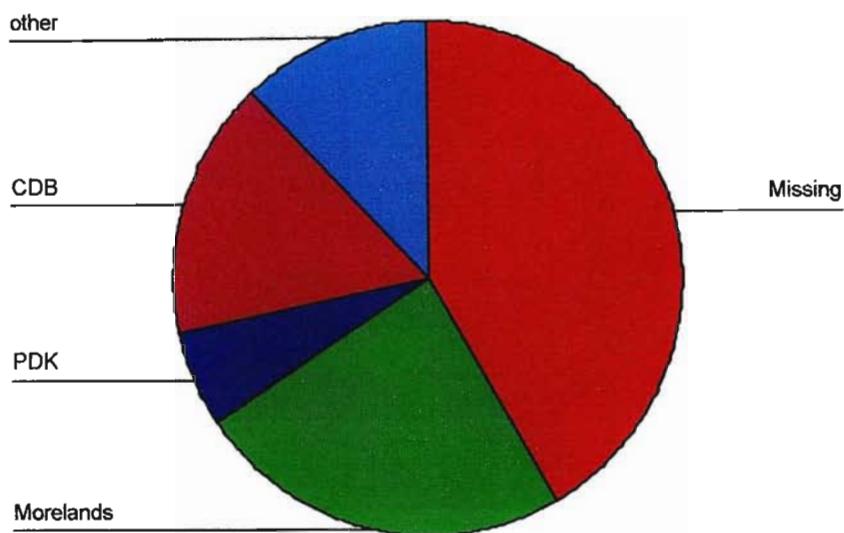


Figure 4.13: Development Company

Respondents were questioned about which development company they would purchase from. The majority of the respondents failed to identify a company and opted to leave out the answer as indicated by the figure above. This indicates consumers' unfamiliarity with developmental companies in general as well as Moreland Developments, which is relatively unknown.

The shopping centre was selected as an important variable in figure 4.13 in terms of situation indicating a need for lifestyle convenience.

	Gym	Shopping centre	Sea	Other
Black	8	9	3	-
Coloured	-	6	2	3
Indian	1	11	6	2
White	3	4	6	2

Figure 4.14: Situation to home

Respondents identified the Internet to be the medium of communication that they regularly utilize. They would therefore be exposed to web advertising.

	internet	magazine	newspaper	radio	tv
Black	8	6	2	2	2
Coloured	2	1	3	2	3
Indian	6	4	4	1	5
White	9	2	-	1	3

Figure 4.15: Communication medium

4.4.3 Culture, income and value analysis

Part 3 of the questionnaire is based on a five point Likert scale ranging from strongly agree to strongly disagree. Data collated from part 3 of the questionnaire indicates that respondents feel strongly about freedom being exercised in the selection of area. Most of the respondents either strongly agreed or agreed with this variable. They also indicated strong agreement on the variable of race not being an issue in neighborhood selection. Figure 4.15 reflects this agreement.

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Black	4	15	-	1	-
Coloured	4	5	1	1	1
Indian	12	7	1	-	-
White	3	10	1	1	-

Figure 4.16: Race of neighbours

A question on cultural beliefs was posed. Respondents needed to indicate their viewpoint on being open minded to others cultural beliefs. From the responses received it is evident that the sample representation holds firm views on being open minded to others cultural beliefs. Figure 4.16and 4.17 reflects this commitment to open-mindedness.

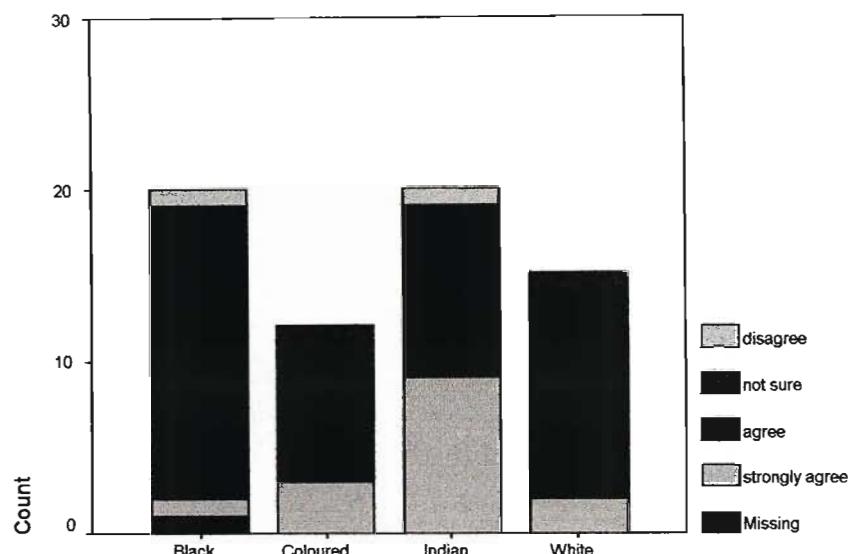


Figure 4.17: Open-mindedness to cultural beliefs

Although respondents concurred that cultural prayers should be done at a place of worship they indicated firm resistance as to where it should be conducted. A question was posed as to whether a prayer/ritual room should be built in the complex/neighbourhood. Respondents across all racial denominations indicated strong resistance against this idea. This disagreement is indicated in figure 4.18 below.

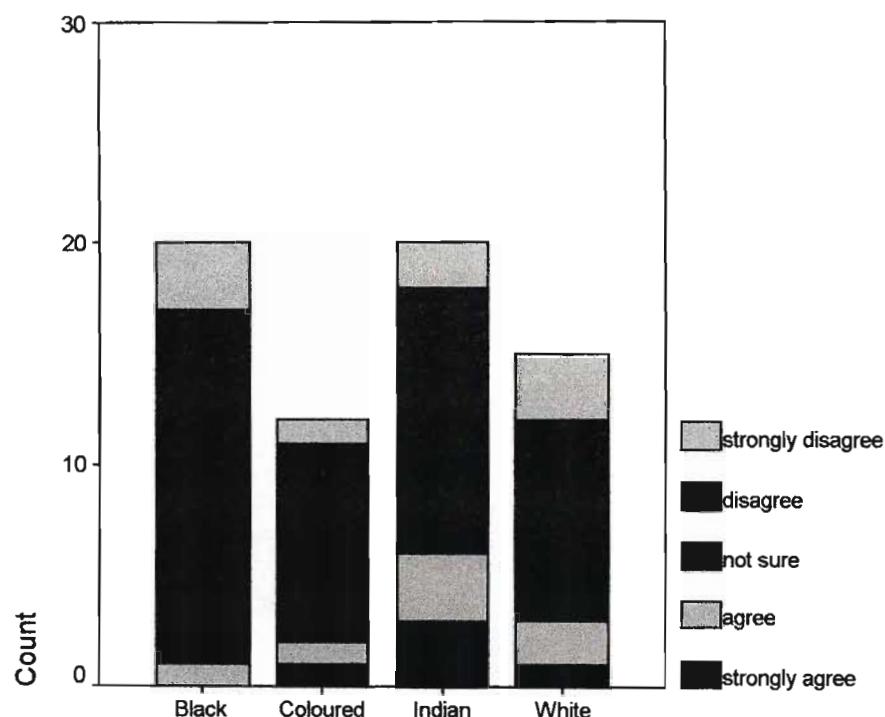


Figure 4.18 :Prayer/ritual room

The following figure indicates that respondents across the racial denomination are tolerant of other religious practices.

	Strongly agree	Agree	Not sure	Disagree
Black	1	18	1	-
Coloured	1	9	2	-
Indian	10	9	-	1
White	3	12	-	-

Figure 4.19: Tolerance to other religious practices

Statement no 37 inquired as to whether the choice of the area selected by respondents to reside in was influenced by status. Respondents concurred either by strongly agreeing or

agreeing that they were influenced by status. This is indicated in figure 4.20 below. Status is therefore an important variable.

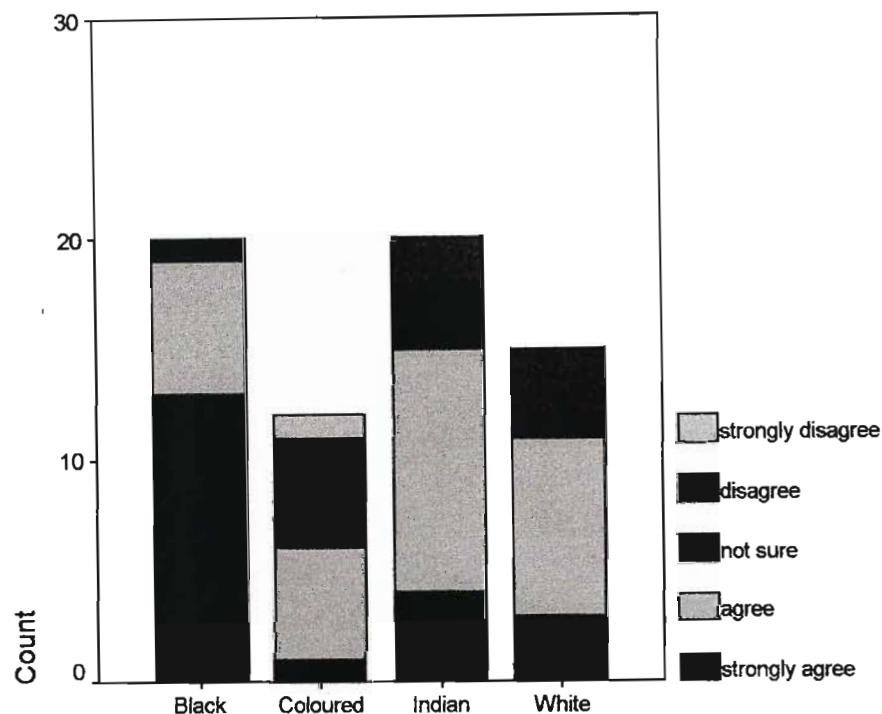


Figure 4.20: Status

The next part of the questionnaire was related to value of the property. Various statements were made requiring respondents to indicate their input by ticking the appropriate column. A statement was made as to whether value of the property was the most important pre-purchase consideration. The following figure reflects that respondents agree that value is a vital pre-purchase consideration.

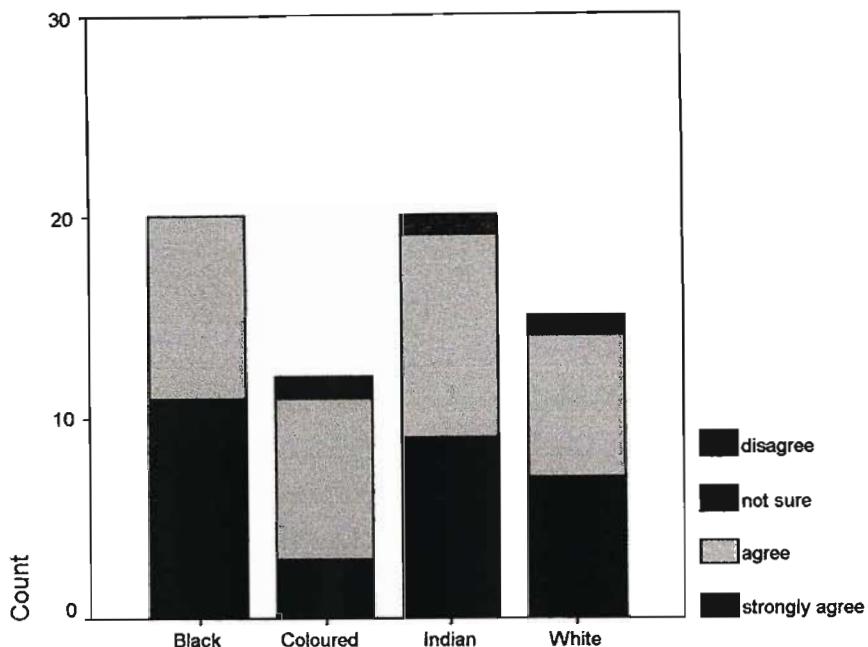


Figure 4.21 Value of property

Respondents across the racial denomination concurred that price is the most important pre-purchase consideration required for buying a house. The importance of price as a determinant for all race groups is reflected in figure 4.22.

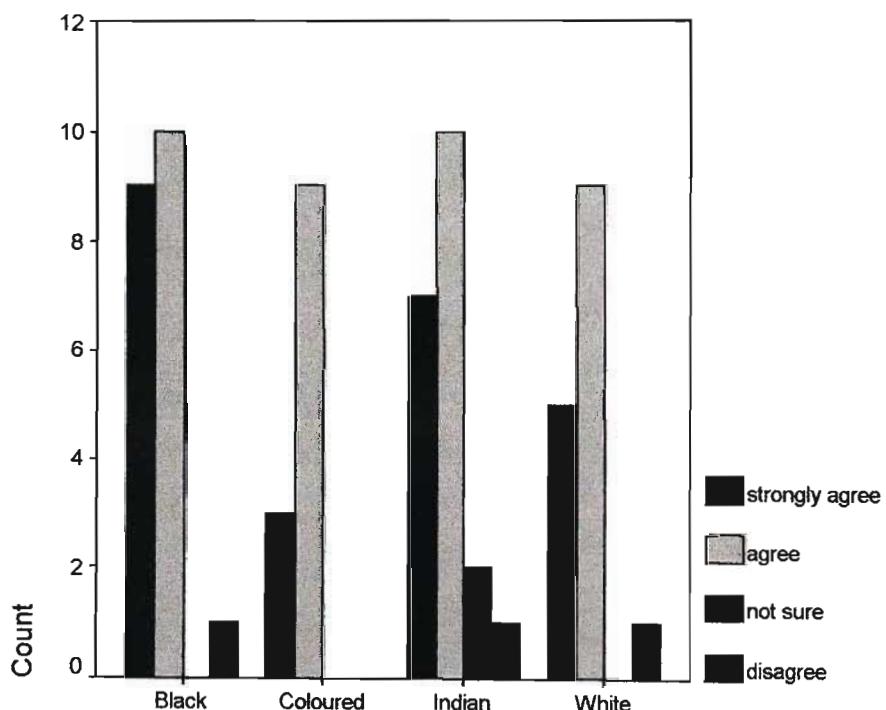


Figure 4.22: Price

All race group respondents agreed that they were influenced by the graphic illustration of the home. **Figure 4.23** below reflects that influence.

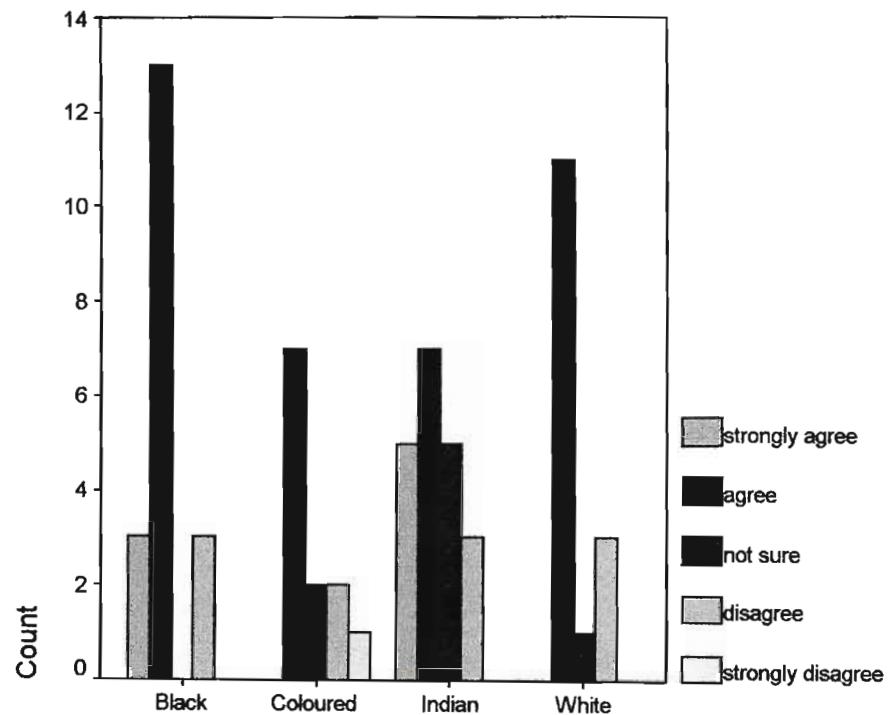


Figure 4.23: Graphic illustration

Respondents felt that upgrading the home is necessary for keeping up with modern times as indicated by figure 4.24. This indicates the need for modern lifestyle convenience.

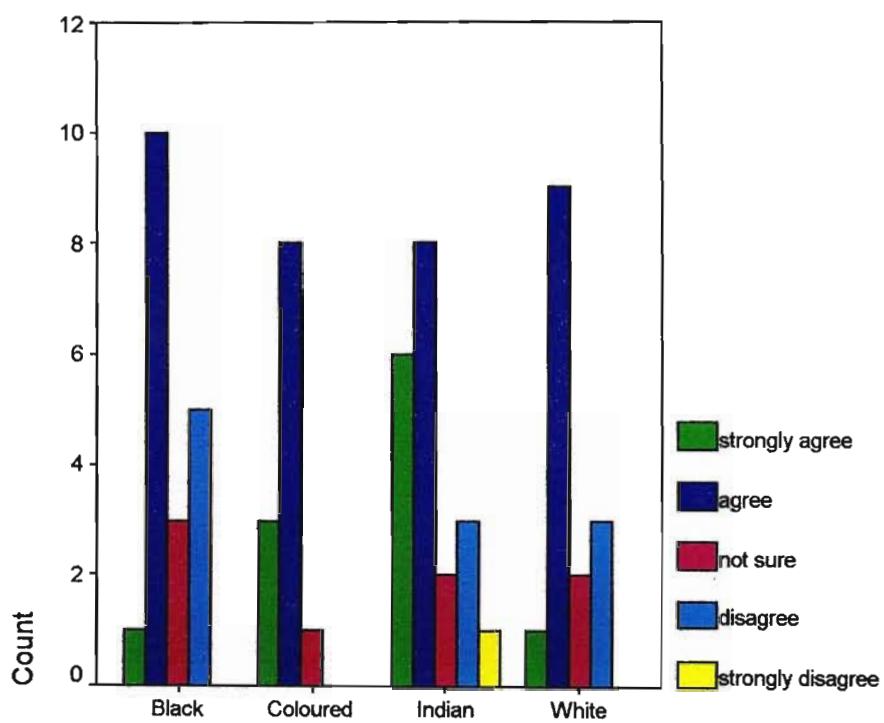


Figure 4.24: Upgrading the home

Respondents were required to identify an area in Durban that they definitely would not reside in and provide a reason for their selection. The majority of the respondents did not select Umhlanga as the area that they would not reside in. This choice reflects the popularity of Umhlanga. Other areas were selected by the majority of respondents to be unpopular. Figure 4.25 indicates this selection.

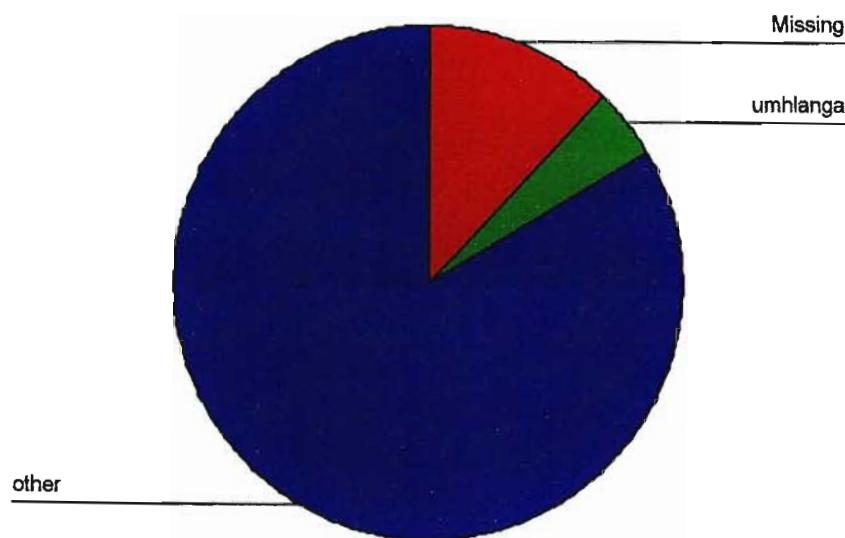


Figure 4.25 Unpopular area

Respondents were required to name a residential company that they were familiar with. The data collated reflects that Moreland Developments was not a familiar company with consumers across the racial board, especially amongst black respondents. Figure 4.26 and Figure 4.27 indicate that respondents across the racial spectrum were not aware of the name Morelands.

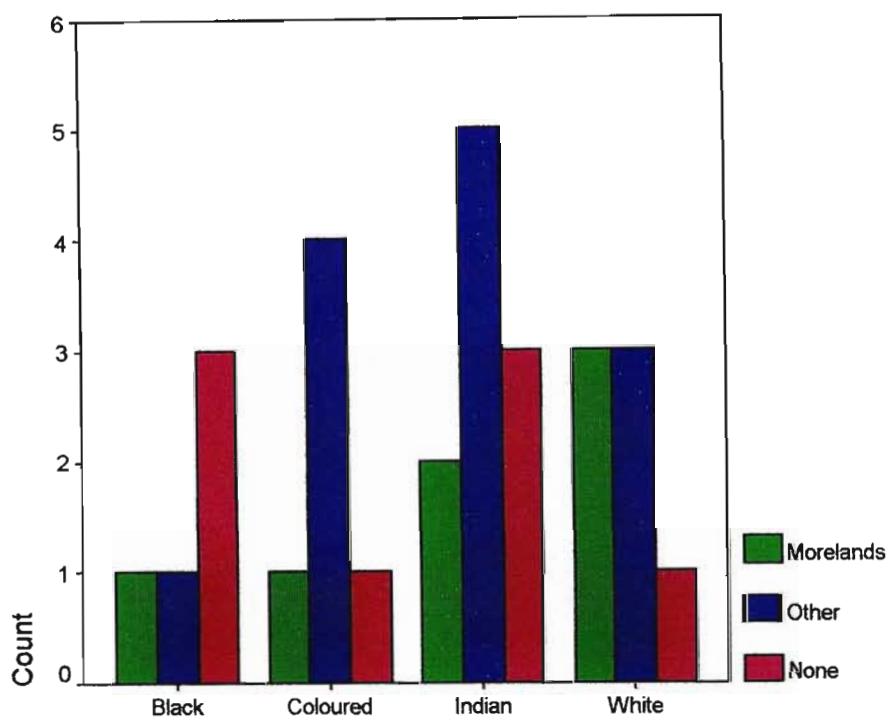


Figure 4.26: Familiarity of residential company

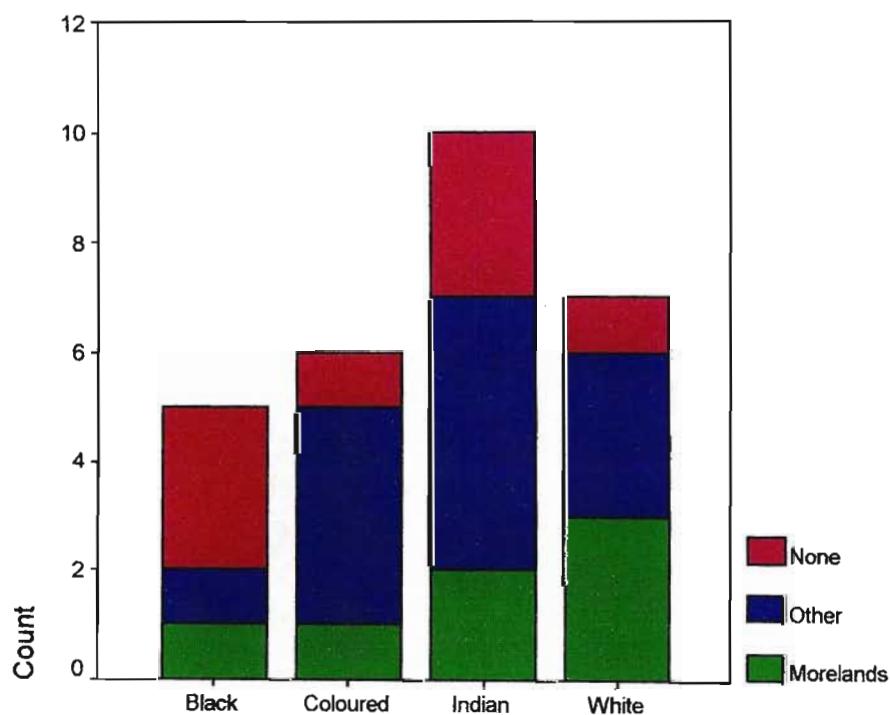


Figure 4.27: Moreland Brand awareness

4.5 Conclusion

The results of the intercept interviews have firstly been analyzed.

In this chapter the results of the questionnaire survey undertaken have been analyzed making use of the SPSS statistical software package. Throughout all three parts of the questionnaire, the data are transformed into information across a range of categories from demographic information through to the specific variables of interest to this study.

The data are analyzed either through tables, clustered bar graphs, stacked bar graphs or pie graphs where relevant as it emerged from the study based on the objectives built into the design of specific questions in the survey instrument.

This chapter along with secondary data gleaned from the review of literature in chapter two form the discussion that follows in chapter five.

CHAPTER 5 –RECOMMENDATIONS/CONCLUSION

5.1 Introduction

This chapter engages in dialogue on the results and the implications of much of the qualitative data. The chapter discourse reinforces emerging multiracial consumer trends/needs as identified from the data collated in the survey analysis in chapter four. Particular attention is given to the discussion of this information with relevance to local and global residential emerging trends identified as pertinent in chapter two. Comparative attention is given to the similarities of these prominent consumer trends, with relevance to local applicability for Moreland Developments. Future residential trends are examined where literature suggests it may be relevant. Identifiable popular emerging trends are recommended for implementation by Moreland Developments necessary to capture an emerging multi racial target market. Areas for future research on the topic are recommended.

5.2 Residential Development Strategy

Primary and secondary data corroborate the recommendation that the following strategy description template, which comprehensively encapsulates the overall strategy appropriate to Morelands residential development, be embraced for the implementation of enhanced future business success.

This comprehensive strategy designed for Moreland Developments encapsulates significant capabilities and operating principles needed to define the essence of the operation as impacted by intent, source, resources and technology of the company. The essence of the operation has a rippling effect on the product, market response and together with the influence of collaborators, competitors and substitutes on subsequent buyer needs.

Monitoring and change management are effected through corrective actions and process outcomes relative to the social /cultural, political and economic environment within which the company operates.

The essence of the company is distinguishably identified as branding. Efficient and effective capabilities and channels allow for the company to consider licensing and franchising options necessary for Morelands to capitalize on achieved growth and globally expand its local status.

Successful return on strategy for Morelands can be attained through the implementation of an effective appropriate marketing mix. The external environment plays a vital role in determining Black consumer trends. See diagrammatic representation of the Moreland Developments strategy template below. The template illustrates significant strategies that Moreland Developments could embark on to operate at optimum and subsequently capture the needs of a multiracial emerging target market.

Morelands Development Strategy Template

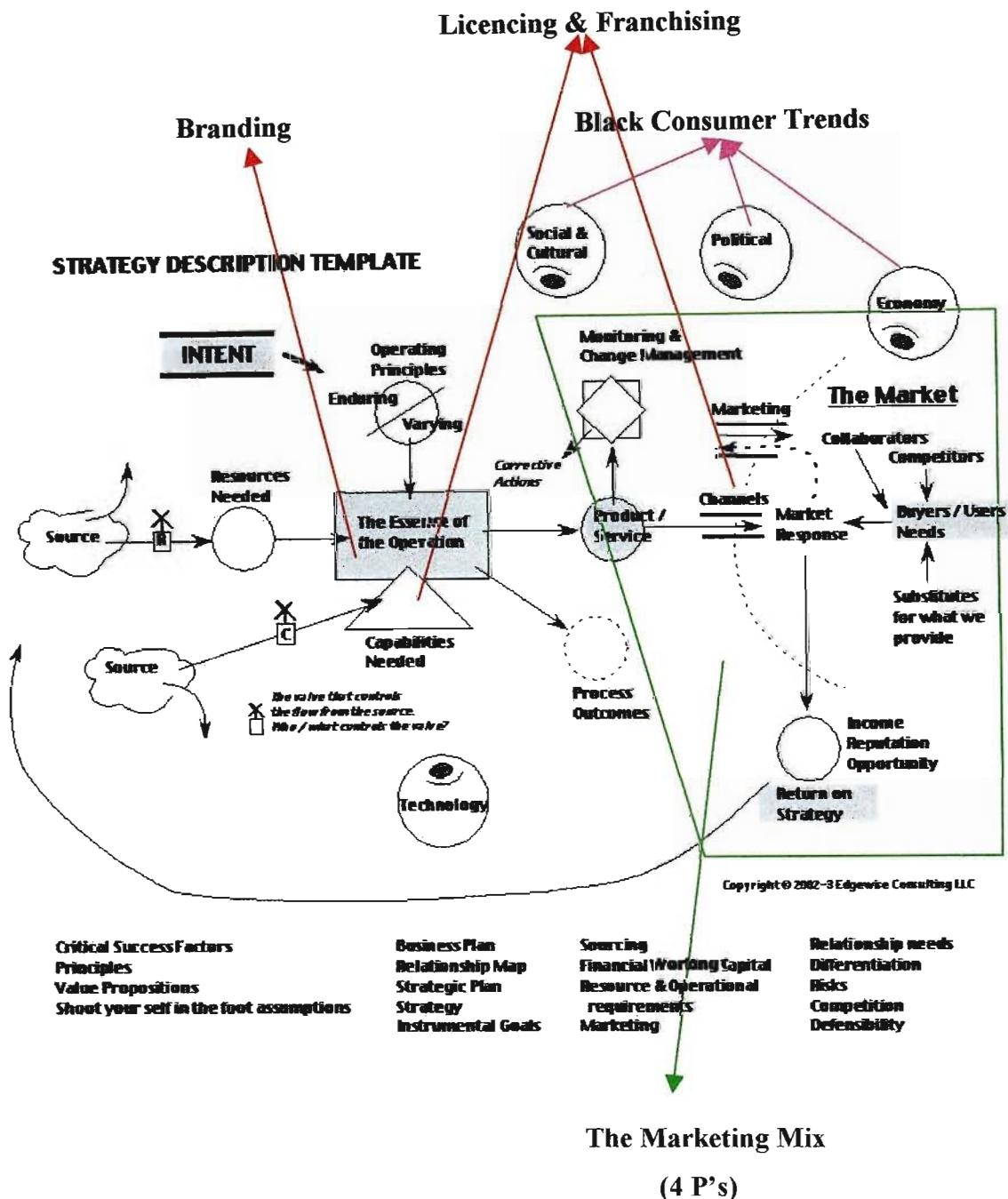


Figure 5.1: Morelands Development Strategy Template

(Adapted from Geoff Ball & Asociates)

5.2.1 Strategy - Differentiation

Local emerging multiracial residential trends as indicated by primary data supports the adoption of a differentiation strategy for Moreland Developments. This strategy involves selecting one or more criteria used by buyers in a market and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a **premium price** for the product, often to reflect the higher production costs and extra value-added features provided for the consumer. Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products. The strategy of Morelands fixing a premium price has been successful only within certain racial denominations of its target market. However, providing a quality product with extra value-added features through differentiation will noticeably attract a multiracial emerging target market, thereby ensuring demographic representation of the company's target market.

5.2.2 Licensing

Renowned global residential developments adopting licensing are meeting with tremendous success internationally, as exemplified by secondary data. PRD International has achieved market leadership globally through licensing. It is therefore suggested that MD investigate the feasibility of licensing. Licensing is used as a successful entry strategy as it does not require capital investment, knowledge or marketing strength in foreign markets. Licensing offers expansion incentives in emerging markets for multinational corporations to rapidly enter foreign markets by capitalizing on new competition. It also affords additional return on R&D costs incurred. Especially in emerging markets it reduces risk to government intervention as the licensee is a local company that provides leverage against government action. The benefits to using licensing for market expansion include:

- Internationalization-by testing foreign markets without major involvement.
- Preempting a market prior to competitive entry.
- Offers global protection of intellectual property rights.
- Offers market entry with a foreign concept reducing the risk of R&D failures.

Licensing is recommended for Moreland Developments to enhance its attained success in the Durban area.

5.2.3 Residential Franchises

Secondary data illustrate that major global development companies have attained market expansion through residential franchises. Franchising is beneficial for expansion into emerging markets as it reduces risk by implementing a proven concept. A commitment to the ongoing growth of a company's franchise operations ensures that each franchisee offers an exceptional level of service and expertise expected in all fields of real estate. It is recommended that MD explore the concept of franchising in order to achieve market expansion and subsequent proportional demographic representation.

5.2.4 Branding

Primary data indicates the market's unawareness of the name Moreland Developments. This is attributed to a lack of brand awareness. An effective brand activation strategy is recommended to create a Moreland Developments name. Branding simplifies choice and guarantees a quality mark of pride through its name, symbol or design that identifies its product. Brands are positioned to meet the needs of specific consumers and are recognized as being different and/or superior to alternatives. Defining a brand emphasizes its key benefits for consumers. Effective brand activation through efficient promotion would construct a MD brand, which the discerning elite consumer can associate to an enhanced guaranteed quality product. The essence of a company is symbolically communicated through effective branding. It is advised that MD construct an extensive marketing strategy necessary to productively develop its brand through extensive brand activation and brand awareness.



Figure 5.2: Unilever Brand Key (Adapted from www.imc.org)

This Brand Key has been adapted to Morelands, as follows:

Brand Key	Moreland Developments
1. Competitive Environment	The competitive position in South Africa is volatile with popular real estates capturing a large percentage of the target market.
2. Target	Elite professional multiracial emerging young adults, the 'yuppies'
3. Insight	lifestyle features, 24/7 environment
4. Benefits	Location, neighborhood appeal, aesthetic appeal, CBD closeness
5. Values and personality	Superior quality, status
6. Reason to believe	Past performance – success in Durban and surrounding Kwa-zulu Natal areas.
7. Discriminator	Value, image
8. Essence	Cosmopolitan trendy ambience/arrival

5.2.5 Strategy: benchmarking

It is recommended that Moreland adopt benchmarking in its implementation programme. Benchmarking is the process of identifying "best practice" in relation to both products and the processes by which those products are created and delivered. The objective of benchmarking is to understand and evaluate the current position of the company in relation to "best practice" and to identify areas and means of performance improvement.

The Benchmarking Process

Benchmarking involves looking outward (outside a particular business, organisation, industry, region or country) to examine how others achieve their performance levels and to understand the processes they use. In this way benchmarking helps explain the processes behind excellent performance. Application of benchmarking for Morelands involves four key steps:

- (1) Understand in detail existing business processes.
- (2) Analyse the business processes of others.
- (3) Compare own business performance with that of others analysed.
- (4) Implement the steps necessary to close the performance gap.

Types of Benchmarking

It is advocated that the following 4 types of benchmarking, as summarised below, be incorporated into Morelands implementation strategy operation:

Type	Description	Most Appropriate for the Following Purposes
Strategic Benchmarking	The company needs to improve overall performance by examining the long-term strategies and general approaches that have enabled high-performers to succeed. It involves considering high-level aspects such as core competencies, developing new products and services and improving capabilities for dealing with changes in the external environment. Changes resulting from this type of benchmarking may be implemented in the company's new financial budget and could take a 5yr plan to materialize.	Re-aligning business strategies that have become inappropriate to Morelands.
Performance or Competitive Benchmarking	Morelands considering its position in relation to performance characteristics of key products and services. Benchmarking partners are drawn from the same sector. eg: national competitor Inframax developments This type of analysis is often undertaken through trade associations or third parties to protect confidentiality.	Assessing relative level of performance in key areas or activities in comparison with others in the same sector and finding ways of closing gaps in performance..
External Benchmarking	Morelands analyzing outside organizations that are known to be best in class, eg Re-max properties. External benchmarking provides opportunities of learning from those who are at the "leading edge". This type of benchmarking can take up significant time and resource to ensure the comparability of data and information, the credibility of the findings and the development of sound recommendations.	Where examples of good practices can be found in other organizations and there is a lack of good practices within internal business units.
International Benchmarking	Best practitioners are identified and analyzed elsewhere in the world, especially those of market leader PRD international. Globalization and advances in information technology are increasing opportunities for international projects. However, these can take more time and resources to set up and implement and the results may need careful analysis due to national differences.	Where the aim is to achieve world-class status or simply because there are insufficient national businesses against which to benchmark.

5.3 The Marketing Mix

For Morelands to achieve a high return on strategy, as illustrated by successful multiracial emerging target market response, the company needs to realign an effective and appropriate marketing mix.

5.3.1 Product

It is apparent that the primary data from the survey corroborate the findings of the secondary data reported, in that residential development can be expanded in four ways to cater for the diverse needs of an emerging multiracial target market. The following model exemplifies these four strategies for product expansion. The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets.

Ansoff Matrix

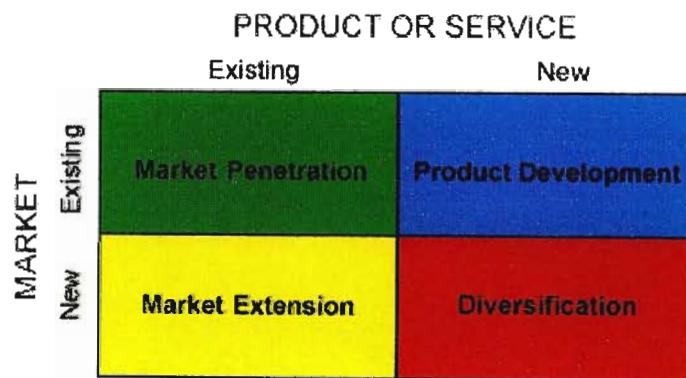


Figure 5.3: Ansoff Matrix

Market Penetration: MD should continue the development of its existing core product in the existing target market as identified in the above matrix, to facilitate market penetration. Although statistics indicate skewness in demographic representation, sales growths have been successful. According to the survey data, purchasers were content with the product. Financial reports on the residential division also indicate phenomenal growth. Secondary data reports in the literature review also highlight market penetration as an effective strategy utilized internationally.

A market penetration marketing strategy is very much about business as usual. The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

Market Extension: Market extension is the development of existing products in a new market. The success of the existing product could be capitalized on. This could be done through market extension by introducing the product in a new target market area. Future residential trends gleaned through secondary data predict a property boom in Westville if a soccer stadium is built. The world-class stadium is expected to be built behind the Pavilion shopping complex and some of the possible spin offs include an increase in residential property prices in the area. The building of the stadium would be followed by commercial and industrial development. Property developers are anxiously awaiting the announcement of the site. MD should examine the feasibility of market extension in this new target area. The existing product could be developed in this new target area to enhance MD's attained success.

Diversification: Diversification entails the development of a new product in a new market. The primary data from this survey corroborates the findings of the secondary data reported. The middle-income market LSM 7-8, as identified by the income distribution respondents of this survey offers a new target market, the middle-income market. This supports the findings of the secondary data reported. In the residential sector, the segment that has emerged lately and shown growth potential is the middle-income residential market. Secondary data reported trends evident in international studies that is currently dominating the real estate sector is selective development, wherein property developers choose niches to pursue their developments. In the residential sector, most developers are focusing on developments in the middle-income housing segment, which is capturing the market exceptionally. Diversification for this new target market could take the form of lower price/cost apartment style housing. Secondary data reveals global timeless principles consisting of people of all ages who want a 24-hour modern lifestyle in a traditional neighbourhood. It is recommended that MD examine the prospects of diversifying into this new target market.

■ **Product Development:** Both primary and secondary data indicate the importance of product development necessary for conforming to consumer trends. Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products, which can appeal to existing markets.

It is advocated that in order for MD to capture a demographically representative target market new products need to be developed that meet multiracial consumer needs. Primary data consumer needs is supported by secondary data findings highlighting global multiracial consumer needs. The following recommendations offer new product development ideas to MD. Primary data consumers needs as reflected by respondent statistics also supported by secondary data indicate the following significant specifications:

- ➡ Townhouse
- ➡ Security estate access
- ➡ Lifestyle features
- ➡ Aesthetic appeal
- ➡ Location
- ➡ CBD closeness
- ➡ Importance of name of area
- ➡ Importance of physical layout
- ➡ 24/7 places. "24 hour environments"
- ➡ kitchen with large windows overlooking attractive sections of the garden.
- ➡ indoor/ outdoor living with outdoor braais and/or pizza ovens on verandahs
- ➡ Integrated kitchen, living and dining areas promoting lifestyles in which people relate to one another

- ➡ Attractive neighborhoods rooted in and around business districts.
- ➡ urban village forms of commercial structure
- ➡ Convenient shopping: supermarkets, drug stores and other neighborhood merchants within walking distance in addition to area department and specialty stores.
- ➡ Relative safety and security
- ➡ Prayer/ritual room should be done at a place of worship and not be built in the complex/neighbourhood
- ➡ Primary data reflected multi-ethnic residential needs. Black consumers indicated their aspiration to a modern cosmopolitan lifestyle. Although ethnic culture is observed, it is practiced in their homeland territory, away from modern existence. Their contemporary lifestyle needs to represent trendy prototypes far removed from ethnicity. They indicated that development names like Izinga, etc, was repulsive. The African Renaissance culture making inroads into their transformed status was seen as intrusive. Instead they were attracted to anything cosmopolitan.
- ➡ Female target market
- ➡ Premium branding-brand emotion will become the driving force ahead of pricing in the next five years

5.3.2 Promotion

Primary and secondary data corroborate the influence of promotional campaigns. It is evident from the primary and the secondary data collated that MD needs to institute an intensive promotional campaign. Perceptual mapping indicates that the market perception of the company MD is racist in that it is biased to Whites. An effective promotional campaign will change that perception. Corrective action options will enable the company to position themselves in a precise way to the Black market without cannibalizing its traditional market (previous customer base). Based on data collated in primary and secondary findings the following suggestions are recommended:

5.3.2.1 Advertising:

- Web advertising
- Elitist black publications-O Magazine (female target)
- Men's Health Magazine
- Sports Illustrated
- Cosmopolitan
- Elle (Female Market)
- Illanga
- Daily News
- Business Times
- Television-SABC, DSTV
- East Coast Radio, 5FM
- Strategic billboards: Durban International Airport
- ICC-International Conference Centre
- Busy highways

5.3.2.2 Promotional campaigns

- In order to attract the elite Black promotion should take place in Black orientated places. The marketing strategies must be taken to where the people are, in the face of the potential client. The idea is to be unconventional by having open days, launches and workshops in these areas.
- Corporate social responsibility requires that the company adopt a social responsibility programme in black areas, to enhance the well being of these communities. A marketing budget would facilitate for a sponsorship/donation in Black areas.
- It is suggested that an educational campaign be undertaken through investment and property focus publications that contain articles, which address property needs of this target market.
- The company needs to co sponsor events for a captured potential Black market that gravitate to specific professional institutions such as: ABSIP, SACOB, NAFCOC.
- Through market segmentation the company can be appropriately positioned to where affluent Blacks are aspiring. Elite Black favourite sports, hobbies leisure activities needs to be identified through further research. It is recommended that empirical research be conducted into lifestyle trends (Consumer Behavior) of black elitists. Findings from this research should be utilized to sponsor these sporting events, whether it is surfing, volleyball, etc. Thus in this way the company is ensured of being positioned in the appropriate target market.
- It is advisable to leverage electronic communication media through TV sponsorships, radio and web sponsorships.
- Project focus using the Tourism Board of the East Coast catchment area.
- Property investment talks/articles in elite Black magazines identified above.
- Embark on joint ventures with financial institutions that complement Mooreland's business focus.

5.4 Total Quality Management (TQM)

It is strongly recommended that for optimum business attainment of all the above electives, Morelands Developments corporate division needs to ensure that the following 9 support structures are effectively and effectively managed. For Morelands to achieve enhanced growth it is suggested that the different structures of the company operate independently as well as interdependently.



Figure 5.4: Total Quality Management

The above model is recommended for Moreland Developments residential unit to utilize in the delivery of its product. The model encapsulates nine compartments, which demarcate the residential business unit's operational functions. A synergistic interdependent relationship of all divisions will ensure that the recommendations of the corporate and business level strategies efficiently target an emerging market by optimising the divisions potential in Morelands delivery of multiracial, especially, elite Black consumer needs in Durban.

The strategy development template outlined in 5.1 above as well as TQM identify: the market, marketing and the marketing mix as support structures vital to the company's operation. However, the pronounced absence of a marketing division at Morelands is noticeably discernable. Morelands outsources its marketing externally. This exposes the company to periodic market intervention. The marketing division is a fundamental vehicle of communication in the delivery of the product to the consumer. The impact of the product

determines the company's success or failure. Primary data analysis is illustrative of a consumer unawareness of the Moreland name. Furthermore, the company is encountering skewed demographic representation. It is therefore strongly recommended that in order to activate and successfully establish brand awareness the company needs to incorporate a proficient marketing division into the corporate structure of the organization. An absence of a marketing division is having a negative effect on the company's image. The introduction of a marketing division will equip the company not only with brand activation in capturing a demographically representative target market; but will ensure enhanced sustained brand awareness required for market expansion and growth.

The key success factors for Morelands marketing in emerging markets would be enhanced growth, profitability, global branding and strategically positioning Kwa-zulu Natal and South Africa not just as an emerging residential market, but as a competitive first world country major global player

5.4 Conclusion

The company's dilemma as identified in the problem statement is one of achieving demographic representation of the company's target market. This research seeks to solve the company's problem as to why Blacks are not purchasing Moreland Development products. The company's objective is to capture the needs of an elite emerging multiracial target market. Primary data analysed sought to identify the consumer needs of the sample frame. An extensive secondary analysis identified local, national and global consumer trends. The corroboration of primary and secondary data identified gaps within the company structure/strategy required for the delivery of residential consumer needs. A series of recommendations suggested require implementation in the company's next financial year.

Moreland Developments is well positioned within the local market to offer superior products on a premium pricing or differentiation basis. The achievement of having attained marked success with specific consumer racial denominations is pertinent. Hence, Morelands can enter emerging markets with different targeting and positioning options based on the segmentation of these markets and based upon a definitive context based understanding of the target market in terms of cultural, social issues, financial circumstances, values and morals, traditions, tastes and specific needs, preferences and perceptions.

It is envisaged that the succinct implementation of the strategic and tactical recommendations advocated to Moreland Developments, will position the company at the forefront provincially, nationally and internationally, enabling MD to carve an enviable niche as market leader in residential developments. It is anticipated that this study will enable Moreland Developments to become a major global player in the residential arena, through the ultimate accomplishment of fulfilling emerging multiracial target consumer trends and needs.

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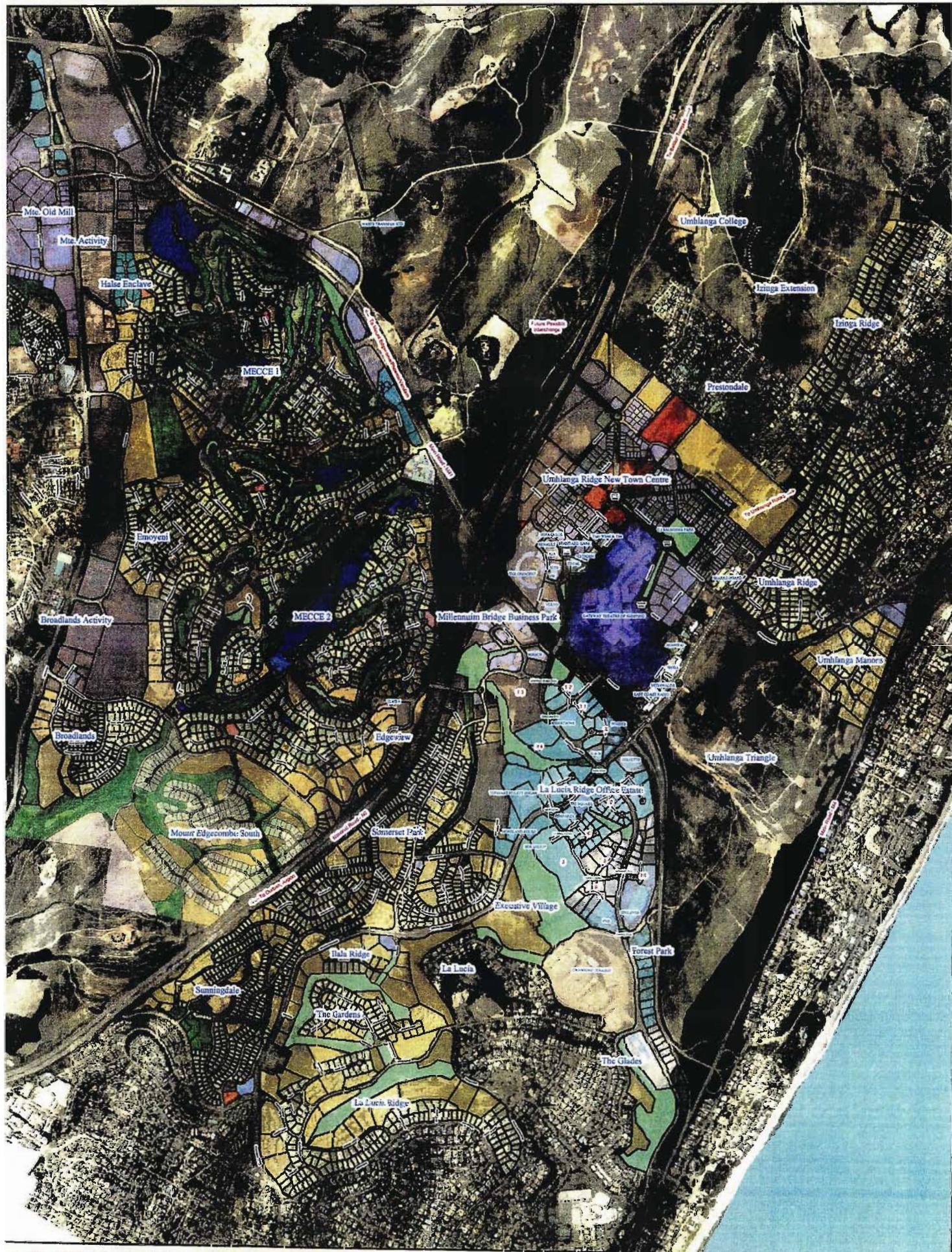
APPENDICES

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APPENDICES

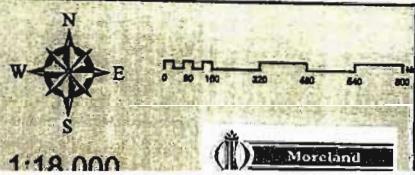
A: Geographic illustration (map) of Moreland Residential Development in the Umhlanga area (2004) (Source Moreland Developments)

See Attached Document



* : The information represented on this plan is for general information purposes only and is subject to change

La Lucia Ridge / Umhlanga Ridge/ Mount Edgecombe Context Plan



B: Pyramid hierarchy of income distribution in the emerging and less developed countries. The MSU-CIBER indexing study for 24 Emerging Markets
 (Source: Globaledge, September 29, 2003)

	Market Size		Market Growth Rate		Market Intensity		Market Consumption Capacity		Commercial Infrastructure		Economic Freedom		Market Receptivity	
Countries	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index
HONGKONG	21	1	13	52	1	100	18	26	1	100	2	87	2	68
SINGAPORE	24	1	19	37	9	67	-	-	2	86	7	80	1	100
S. KOREA	6	13	16	45	4	86	3	89	3	79	9	74	9	16
ISRAEL	22	1	9	69	3	86	6	78	5	73	6	81	4	26
CHINA	1	100	8	71	24	1	8	65	15	38	24	1	18	5
HUNGARY	23	1	17	43	7	72	1	100	6	64	4	81	8	17
CZECH REP.	19	2	18	40	16	54	2	92	4	74	3	86	5	21
POLAND	10	6	10	67	2	95	4	86	7	56	8	74	14	6
INDIA	2	48	12	58	20	42	10	58	13	41	16	47	23	1
MEXICO	5	14	3	77	6	72	17	29	14	39	11	72	6	19
CHILE	18	2	5	76	10	64	20	15	9	45	1	100	11	10
THAILAND	16	4	7	71	21	39	11	55	17	33	10	73	7	18
MALAYSIA	17	3	1	100	23	17	16	38	16	38	21	33	3	37
TURKEY	9	8	2	84	13	57	9	61	11	44	19	35	13	8
RUSSIA	3	39	21	21	22	33	15	41	8	53	22	13	15	6
INDONESIA	7	12	6	74	15	55	7	75	23	22	18	41	12	9
BRAZIL	4	27	11	60	19	46	21	6	12	43	14	61	22	2
PERU	20	2	15	49	11	63	12	52	22	23	12	66	21	3
Egypt	13	5	4	76	5	75	5	80	24	1	23	12	20	4
PHILIPPINES	12	6	20	30	14	57	14	43	21	24	13	65	10	13
S. AFRICA	8	9	14	51	17	54	22	1	19	30	4	81	16	6
VENEZUELA	14	4	23	10	12	60	13	49	20	29	19	35	17	5
ARGENTINA	11	6	24	1	8	71	-	-	10	44	15	56	24	1
COLOMBIA	15	4	22	19	18	50	19	16	18	33	17	44	19	4

C: Emerging market characteristics

Figure 1: The Impact of Emerging Market Characteristics on Marketing Programs

	Segments	Product	Price	Distribution	Communication
Low Incomes	<ul style="list-style-type: none"> Segments are coarse and diverse because the costs of segmentation are high. Mass media are not finely segmented. 	<ul style="list-style-type: none"> Products need to be functional, built to last, and basic. Rapid obsolescence is a mistake. 	<ul style="list-style-type: none"> Large volumes, and low margins drive profitability. Consumers gauge prices in relation to a local basket of purchases. 	<ul style="list-style-type: none"> Retail distribution is highly fragmented, but nevertheless, powerful. 	<ul style="list-style-type: none"> Persuade consumers to consume more and non-consumers to adopt the product.
Variability	<ul style="list-style-type: none"> Income disparities and income flow variability lead to co-existence of very different market segments. 	<ul style="list-style-type: none"> Quality consistency is at a premium, and not easy to achieve in a variable environment. Design and package for infrastructural and consumer variability. 	<ul style="list-style-type: none"> Price promotions yield large volume gains. But it is worthwhile to launch second tier brands rather than occasional promotions. 	<ul style="list-style-type: none"> Urban and rural retailers look similar but operate on different principles. It pays to be first in rural markets. It pays to be differentiated in urban markets. 	<ul style="list-style-type: none"> Creating own channels of communication where no mass media exist to cater to large swathes of the market.
Cheap Labor	<ul style="list-style-type: none"> Despite huge differences in consumers' cost of time, the market cannot be segmented on this dimension because time is bought and sold. 	<ul style="list-style-type: none"> Products can be re-engineered to replace some elements with consumers' labor. Makes the product more affordable to the mass market. 	<ul style="list-style-type: none"> Consumers' make versus buy decisions drive value perceptions. Competition also comes in shape of home-made products. 	<ul style="list-style-type: none"> People rather than machines provide a cost-effective means of delivering products to consumers. 	<ul style="list-style-type: none"> Mass media don't always have a cost advantage over face-to-face customer interaction. Sales forces can be used to communicate product benefits and usage more effectively.

D: Housing Development Capacity under Annual Growth Policy for trends in Residential Development. Development Capacity Trends under the Annual Growth Policy

Housing Development Capacity Available under the Annual Growth Policy, 1995-2002 Montgomery County, MD (in units)									
at start of Fiscal Year...	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total capacity available to new residential development under the Annual Growth Policy	67,332	69,674	67,281	71,228	54,427	52,224	50,740	48,504	44,199
Capacity used by approved but not constructed residential development ("Pipeline")	32,160	33,426	33,791	36,050	34,774	33,270	32,890	41,272	30,755
Capacity available for approval of new residential development	35,172	36,248	33,490	35,178	33,146	32,437	31,393	28,799	29,161
Number of years to use available development capacity assuming construction of 4,500 units per year	15.0	14.8	14.9	15.8	12.1	11.6	11.3	10.8	9.8

Actual amount of development completed in calendar year	2,937	3,114	3,941	3,200	5,464	4,188	4,179	5,484	5,461
Note: fiscal year begins July 1. In many areas, residential development can be approved above the capacity ceilings under various conditions.									
Source: Montgomery County Department of Park and Planning, Research and Technology Center, March 2004									

E: Residential emerging target market survey

PART 1

DEMOGRAPHIC

PERSONAL DETAILS

01. Gender

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

02. Age

18-24	<input type="checkbox"/>
25-34	<input type="checkbox"/>
35-49	<input type="checkbox"/>
50-60	<input type="checkbox"/>
60+	<input type="checkbox"/>

03. Race

Black	<input type="checkbox"/>
Coloured	<input type="checkbox"/>
Indian	<input type="checkbox"/>
White	<input type="checkbox"/>

04. Education

Grade 12	<input type="checkbox"/>
Post Matric Certificate/ Diploma	<input type="checkbox"/>
Degree	<input type="checkbox"/>
Post Graduate Qualification	<input type="checkbox"/>

05. Home language

English	<input type="checkbox"/>
Afrikaans	<input type="checkbox"/>
Ethnic (state)	<input type="checkbox"/>

06. Which department do you work in?

Sales/ Admin	
Finance	
Marketing	
Logistics	
Engineering	
Production	
IT	

07. Job description

Team member	
Supervisor	
Manager: Junior	
Middle	
Senior	

08. Marital status

Single	
Married	
Divorced	
Widowed	

09. Children

None	
One	
Two	
More than two	

10. Annual Income

R100 000	
R100 000 -	
R150 000	
R150 000 -	
R200 000	
> R200 000	

B: PART 2

Please read the questions below and answer it by ticking the most appropriate response

11. What type of house do you prefer?

Single Residential unit-home	
Multi unit –Simplex	
Multi unit – Duplex	
Apartment	
Townhouse	
Other (specify)	

12. My home should be close to:

School	
Family	
Work	
Hospital	
CBD	
Other (specify)	

13. The ideal area to live in Durban is:

Durban central	
Westville	
Durban north	
Durban south	
Umhlanga	
Other (specify)	

14. Type of development:

Select land, design & build own specifications	
Select land: choose design from those offered by designated developer of that area	
Select home: already built	
Purchase land, select developer of choice	
Other (specify)	

15. Which safety features do you consider most important?

Remote access	
Security estate access	
Electric parameter fencing	
Burglar guards	
Other (specify)	

16. Which development company would you purchase from?

Morelands	
P D K Building Projects	
CDB Building Projects	
Other (Specify)	

17. The largest monetary allocation should be given to:

Exterior structure	
Lifestyle/Entertainment features	
Kitchen	
Bedrooms	
Master ensuite	
Lounge/TV room	
Other (specify)	

18. Neighbourhood should be classified according to:

Race	
Culture	
Status/Age	
Aesthetic Appeal	
Other (specify)	

19. My neighbourhood appeals to me for the following:

Race	
Culture	
Status/Age	
Location	
Other (specify)	

20. My selection of the area is motivated by:

History: group areas	
Conditioning: family patterns	
Upward mobility	
Freedom of choice	
Sentiment	
Other (specify)	

21. My home needs to be situated close to:

Gymnasium/Health spa	
Shopping Centre	
Golf course	
Sea	
Other (specify)	

22. What medium of communication do I regularly use?

Internet	
Magazines	
Newspapers	
Radio	
Television	

23. Name the print publication that you most frequently read.

C: PART 3

Please indicate your position on the following statements by ticking the appropriate option

CULTURE	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
•Freedom should be exercised in the selection of area 24					
•Comfort of the home should be priority 25					
•Race of neighbours is not an issue 26					
•Social standing of neighbours is important 27					
•Ethnicity of neighbours is important 28					
•Cultural values of neighbours are important to me. 29					
•I am open minded to others cultural beliefs 30					
•Sensitivity to ethnic practices, accepted because is politically correct 31					
•Cultural prayers should be done at a place of worship 32					
•A prayer /ritual room should be built in my complex/ neighbourhood 33					
• Living in a culturally homogenous neighbourhood would prevent unnecessary problems 34					
•I am tolerant of other religious practices. 35					

INCOME	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
•Income would dictate where I live 36					
•Choice of area is influenced by my status 37					
•Choice of area is influenced by my roots 38					
•Establishing myself in a small community is important 39					
•Being a component of a large neighbourhood is vital 40					

VALUE	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
•Value of property is my most important pre-purchase consideration 41					
•Price is the most important pre-purchase consideration 42					
•Building my own home reduces cost 43					
•Building my own home reduces time 44					
•Name of area is important 45					
•Name of development company is important 46					
•Choice of area is influenced by friends / family 47					
•I am influenced by graphic illustration of this home 48					
•Choice of real estate agent is vital 49					
•The physical layout (plan) of the home is paramount 50					
•Upgrading my home is necessary in keeping with the times 51					
•Upgrading my home is necessary for my convenience 52					
•I am influenced by the advertisement for this home 53					

•I would purchase a house for residential purposes 54					
•I would purchase a house as a holiday home 55					
•I would purchase a house merely for an investment 56					

57. Identify an area in Durban that you definitely would not reside in and provide a reason for your selection

58. a) Name a residential developmental company that you are familiar with:

b) How would you rate this company?

c) Outline whether your rating is based on experience/interaction with this company:
