trade intelligence

Trade Tatler

NEWS FROM THE CONSUMER GOODS INDUSTRY – FRESH EVERY WEEK

17 February 2016

Hard times, as any of our retailers or manufacturers will tell you (see Woolies and Pioneer, below). But South Africa has handled the frying pan/fire scenario before today, and with both business and government starting to look actively for joint solutions to our troubles, it's possible that we will pull it off again. But a solution to an economic crisis requires more resources and sacrifice and patience than even a political negotiation does. Enjoy the read.

RETAILERS AND WHOLESALERS

Woolworths

Sir appears to have lost his paddle

Those Woolies interims then, which have been rubber-stamped and revealed in all their glory: sales up 17% to R35.5bn, or 12% if you exclude Aussie retailer Bruce McDingo – sorry David Jones, slip of the pen. Food was a particularly strong performer, riding on the back of a price increase averaging 5.7% which Woolies' better-heeled punters seemed willing to swallow. By way of contrast, Shoprite managed an increase of just 2%. Woolies expect, however, that even the upper LSMs will be tightening their belts as food inflation continues its inexorable rise over the next 6 to12 months – although they also believe that they will continue to take market share from the competition. Under these circumstances, and this is not a phrase we write lightly, thank God for Australia, responsible for 43% of operating profit with the dear old ZAR weakening 26% against the brash and probably dishonest Aussie dollar.
Comment: Woolworths are generally tastefully bullish about their prospects. When they start to warn us about tricky times ahead, you know that we have found our way up an unattractive branch of the river and have lost our primary means of propulsion, as they themselves might have put it.
Bloomberg 11/02/16

Pick n Pay

The sands of time

The opening of a new store in a far-flung outpost is always a good opportunity to reflect upon a retailer's progress in that particular geography, and thus it is with the new Pick n Pay in the Ya Toivo Complex in Ondangwa, Namibia, where under a franchise owned by the Ohlthaver & List Group, The Big Blue has established 21 stores since opening for business in 1997, employing over 2,200 locals. Ondangwa appears to be a shrewd move for the retailer, as the town is something of a hub: it has an airport, a railway station and access to Namibia's network of very long, straight roads. Half of the population of the neighbouring Oshana and Oshikoto regions do their shopping there.
Comment: It is a sign of incredible progress that Ondangwa was until fairly recently known by South Africans only as a place one might have gone to push beat or fix Buffels for a hot and dusty 18 months of one's National Service.
New Era 08/02/16

Malls

Northern exposure

Musina, for those enough old enough to remember this, was the town generations of schoolchildren learnt to loath at the hands of their geography teacher. It had orange orchards, contours and a water tower and pretty much everything you needed to teach map reading to a recalcitrant standard seven. What it did not yet have was the Great North Plaza, currently a 14,000m^2 piece of retail real estate, but soon to be a 34,000m^2 centre by virtue of a R320million investment by the Investec Property Fund, who bought it off the Solly Noor Property Group. Space is filling up rapidly, with such notables as Checkers, Jet, Edgars and Pep already signed up for the extension, joining the likes of Shoprite, Checkers, Sterns, Sport Scene, Markhams and Foschini in the existing centre. Musina is something of a bustling hub these days, with a cracking cross-border trade and significant employers like the De Beers' Venetia Mine, itself expanding right now, although to the more significant tune of R33billion.
Comment: The Great North Plaza may be found between the orange orchard and the water tower.
Zoutnet.co.za 11/02/16

MANUFACTURERS AND SERVICE PROVIDERS

Pioneer

Staple diet

Joining the chorus of gloom this week would be Pioneer, second largest manufacturer on the JSE after Tiger, with a market cap of R31billion. They reckon that input costs have skyrocketed by 74% in the quarter to January, impelled by rising grain prices, high wheat input tariffs and the weakness of the ZAR. They will now have no choice, they say, but to pass on this increase to the consumer. This from a business that trades vigorously in staples, with brands like Sasko, Spekko, Bokomo and Star maize meal on its books, catering substantially to the more embattled end of the market. Accordingly, Pioneer have warned that earnings for the first half are unlikely to be all that. On the upside, the hot, dry conditions of this summer have meant excellent results for the beverages division, which markets such brands as Ceres and Liqui Fruit, and for the international division, whose fruit exports have benefited from the weak rand.

Comment: Another one of those perfect socio-economic storms to which South Africa seems uniquely susceptible.

Business Day 15/02/11

Mondelez

Snack attack

It is the intention of snacking giant Mondelez to "create foods that fit the way people eat, while bringing joy to those small eating moments," their words, not ours. Their plan is to add more healthy snacking brands to their line of belVita breakfast biscuits, and to introduce more portion-control products that contain fewer than 200 calories. This as Tim Noakes rails against a diet of sugary cereals and television for children, and an American-size obesity epidemic engulfs us, with 25% of South Africans now overweight and 20% of us obese. Mondelez will also be displaying nutritional information more prominently on the packs of its snacks, which account for around a third of total revenue. Other businesses like Woolies are also getting on board the healthy eating trend, putting sweets and chocolates in areas where punters can choose to shop rather than in the checkout aisles.

Comment: And not before time.

Business Day 11/02/16

TRADE ENVIRONMENT

The Economy

Your fiddle, Mr President.

The World Bank has cut its growth forecast for the Beloved Country to 0.8% this year, while ratings agency Moody's has warned darkly that our national debt could exceed 50% of GDP for the first time in more than a decade as tax revenue declines. Business and government show some early (or late, depending on your perspective) signs of stepping up to the plate, with a meeting between 140 business leaders and their counterparts in cabinet taking place last week. They discussed inter alia accelerated partnerships between government and business, a review of labour laws to improve our output and make us a more investment-friendly destination, the raising of taxes and the sale of underperforming state assets (we're looking at you, SAA and Eskom) into more efficient private hands.

Comment: It's not exactly an economic CODESA. But the willingness of business and government to talk rather than exchange barbs is exactly what's needed at this dire juncture.

Moneyweb 11/02/16

IN BRIEF

Nielsen

Numbers game

According to our colleagues over at Nielsen, South Africa's Top 100 Brands spent a total of R13.1billion promoting themselves last year. And together, Shoprite and Pick n Pay spent R1billion of that, which is not to be sneezed at. Thought you'd want to know.

IOL 15/02/16

SPAR

Green shoots

Nice work from the Jolly Green One, with group sales up 14.1% to R28billion for the 18 weeks to the end of January, with domestic growth coming in at 8.4% and like-store sales growth of 7.5%. Our friend and colleague Syd Vianello reckons that SPAR is continuing to pick up market share from Shoprite, which is no small achievement.

Moneyweb 11/02/16

THE WEEKLY GURU

"If you can't go around it, over it, or through it, you had better negotiate with it."

Ashleigh Brilliant

For further information:	www.tradeintelligence.co.za | info@tradeintelligence.co.za
Editorial:	Nick Paul: nick@tradeintelligence.co.za
Advertising Sales	Erin Monks: erin@tradeintelligence.co.za