



04 May 2016

OK back to your desks, you lot. Strewth. First phuzza Thursday, now seven day weekends. And then come results time, it's all "the eighteen holidays in April notwithstanding, we did pretty well, considering." Speaking of results, some pretty good ones from Pick n Pay, just below the Tag Heuer ad (below). What? There's not? In that case, anyone else want to [advertise in the Tatler](#) then? Well? Enjoy the read.

RETAILERS AND WHOLESALERS

Pick n Pay

Are we there yet?

No we're not, according to Pick n Pay CEO Richard Brasher. But we're past halfway, insofar as corporate turnarounds can be measured, and insofar as complete turnarounds were actually necessary in the first place. Heretofore, hitherto. But those numbers, now: turnover up 8.2% to R72.4billion, compared with 6.1% last year, with gross profit up 8.6% to R12.9billion, and Headline Earnings Per Share, which we are told is a business' true measure of profitability, up 26.4%. They added 175 new stores this year, including 14 beyond our borders, and refurbished 40, transforming them into new generation stores. And because no results presentation would be complete without a Big Announcement: Nigeria! Where Shoprite dominates and Woolies foundered, but where Pick n Pay reckon they have a pukkah JV partner in A.G. Leventis, and where the plan is to grow slowly and sustainably, rolling out an initial ten stores in a combo of formats to suit local needs. Another big story for Pick n Pay is forecourts, where they are outperforming everyone except FVC's Freshstop, growing 74% in 2016.

Comment: Since Mr Brasher's tenure began, Pick n Pay have been rewarded with a more than 50% bump in the share price. And we can't say fairer than that.

[The Times 01/05/16](#), [Business Day 28/04/16](#)

Shoprite

Oh, no he di'n't!

Don't blame the drought for your high prices, retailers! This according to retailer Mr James Wellwood "Whitey" Basson, who avers that the Shoprite Group, for one, will continue to go out to bat for the dear old South African punter "and not tolerate food price increases which were not based on fundamentals". This lack of tolerance suggests that the challenge was for suppliers as much as competitive retailers, who be fair are also doing their bit to ensure that prices remain as low as possible. Pick n Pay, for example, kept their selling price inflation down to 3.1%, against CPI of 5.3%. Whitey believes that food inflation might be starting to ease, as the rand stages its recovery against the dollar and the dams start slowly to fill.

Comment: Our retailers with their massive buying power do indeed perform an important social function as a bulwark, however temporary, against the ravages of inflation for our poorest citizens.

[IOL 28/04/16](#)

Mall of Africa

I had a mall in Ahfrica...

New mall in Waterfall City, Midrand, heard about it? Oh, you had? Well you're not the only one. Clicks has just opened its 500th store at the freshly minted Mall of Africa, and so have Checkers, with a new Hyper, and Woolies, with a whole new concept, as well as 300-odd other retailers and service providers. The Woolies store is a particular drawcard, with a chocolate hub, a fish market and butchery, an in-house roaster and a light carbon footprint, introducing such innovations as the use of heat from refrigeration to keep the store itself toasty as we head into the bitter months of winter. The Mall itself is no slouch in this regard, with a photovoltaic array on its roof that will provide no less than 4.8MVA of sustainable power. Other attractions include courts themed after ecosystems, like the Great Lakes and the Desert, and what appears to be a damned big Ferris wheel outside. Early indications are of enormous success, with 123,000 eager shoppers thronging the place on the first day alone, and 37% of them making return visits over the next three days.

Comment: Congrats to forward looking developers Atterbury, who, we hope, know a thing or two we don't about South Africa's coming economic boom. And as for that chocolate hub – we didn't know we needed one, until we did.

[Tatler Reporter 29/04/16](#)

MANUFACTURERS AND SERVICE PROVIDERS

Unilever

Next: Craft Beer Toothpaste

In Europe, Unilever's head of R&D David Blanchard uses a \$60 toothpaste system to keep his teeth both white and pearly. And – get this - it's flogged by Unilever itself, a business better known for bringing reasonably-priced essentials to the punters who love them. Regenerate toothpaste falls into the category of merchandise known by R&D boffs as "innovation", which is widely acknowledged to be the type of merchandise most reliably able to increase your topline in a zero-inflation environment, which is what Europe is currently facing. Innovations such as Regenerate, or a new Ben & Jerry's flavour, or collagen-supplement pills from Ioma can give Unilever's sales a serious bump, at a time when European businesses are wondering nervously whether deflation might not be on the cards. And other businesses are following suit, with Reckitt Benckiser pondering the merits of a foot care range, and Diageo upping its sales among the bearded set by aging its Jameson's in barrels previously used to brew craft beer.

Comment: No word yet on when you'll be able to fork over R800 plus for your toothpaste, but then, deflation's not one of our problems, here in the Beloved Country..

[Bloomberg 29/04/16](#)

British American Tobacco

Every cloud has a silver lining...even a cloud of smoke.

While suave Swedes and louche Luxembourgese no longer like to smoke, preferring to spend their leisure hours on the treadmill or at the salad bar these days, the market for ciggies in Europe remains robust, driven perhaps by floods of anxious and traumatised refugees. However, the refugee crisis has seen sales decline for businesses like BAT this twelvemonth past, as these same refugees bring bales of illegal fags over porous borders and flog them on the cobbled streets of the continent. Now, however, border security has tightened up, stemming the flood of dodgy baccy and seeing BAT's sales for the first quarter rise 13%. Across the way in India, meanwhile, BAT associate ITC is involved in a spat with the government, closing its plants in protest against new regulations with demanding pictorial health warnings which would cover 85% of the packs surface.

Comment: An increasingly challenging industry, what with illegal fags, and increasing focus on health and wellness.

[Business Day 28/04/16](#)

TRADE ENVIRONMENT

Food Prices

The Devil's arithmetic

You may not have heard of the Pietermaritzburg Agency for Community Social Action (PACSA). But they've been doing the slog work of monitoring food prices since 2006, and they've registered a steep increase in the price of a staple basket from the end of 2015 to the present. Some foods have increased even more sharply: a 10kg sack of potatoes that would have cost you R35 in November will now cost you R60.32, while a gallon of cooking oil has gone up from R70.66 to R89.98. According to PACSA, embattled households are securing their staples before buying more nutritional foods, like meat, dairy and veggies, with predictable and perhaps long-term effects on health, productivity and well-being. And when families run out of food two or three weeks into a month, they will typically go into debt to cover the shortfall, thus entrenching the cycle of poverty.

Comment: Adequate nutrition should be a basic human right, end of story.

[The Times 01/05/16](#)

IN BRIEF

Trade Intelligence

Shop talk

If you like to know what's what in this great industry we call home, and we know that you do, may we suggest that you get yourself over to the FMCG Insights and Conference, to be held in Jozi's Turbine Hall on 10 May. There, among other luminaries, you will find Trade Intelligence CEO Maryla Masojada, who will be addressing the State of the Industry, sharing insights in such areas as lessons from other emerging markets; where best to invest your money in FMCG; and how the industry can overcome the challenges of decreasing consumer disposable incomes.

[Tatler Reporter 01/05/16](#)

Sovereign Foods

A right royal dust up

OK, we don't pretend to understand the entirety of this story, so if you're so inclined, have a look over here. But it would appear that Sovereign's dissenting shareholders, (remember them from last week?) who own 10% of the stock, have had their right upheld by the PE High Court to vote on new resolutions regarding the business' BEE scheme, which has been criticized for not being broad-based but rather weighted towards existing executives. This decision somehow opens the way for Sovereign's takeover by Country Bird, a move which presumably the dissenters support. Let us know when you've figured it all out.

[Business Day 28/04/16](#)

Nestlé

Just chill

Concerned about the flailing sales of their ice-cream division, Nestlé are putting large dollops of it into the sturdy British cone of frozen-foods specialist R&R Ice Cream, in a JV which will help it share the costs of the low-margin business and bring together such brands as Nestlé's Movenpick and R&R's Cadbury and Oreo. More than a little oddly, the new business will be known as Froneri, which will have operations across the globe, including right here in eMzansi.

[Bloomberg 27/04/16](#)

THE WEEKLY GURU

"From the gut comes the strut, and where hunger reigns, strength abstains."

Francois Rabelais

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