



13 July 2017

The Competition Commission's investigation into the retail sector grinds on, shining a light onto the challenges of keeping a country of just about 55 million clean and fed while giving a chance to the smaller supplier too. More on that below; enjoy the read.

RETAILERS AND WHOLESALERS

Massmart

M People

So Massmart have joined the loyalty arms race with the launch of the very catchily-titled mRewards programme. Through mRewards, shoppers will receive cash back simply by downloading the nifty mCard app, registering and buying participating products in various categories from Makro stores. The cash is collected using the app, and stored in something called an mWallet, which incidentally also allows Makro and its suppliers to interact directly with customers. From the mWallet, the cash may then either be spent in any Makro store, donated to charity or transferred to another mWallet. The mCard app also stores your existing Makro access card, which is dead handy for anyone who has made the trek to pick up a new washing machine or a bulk order of Fizzers for the six year old's party only to remember that you left your card under the phone bill on the hall table. mRewards reportedly offers returns at substantially better face value than competitive programmes – by 15% and more. We know that one of the mainstays of a successful brand-based loyalty programme is supplier buy-in, and on this front, Makro has done reportedly very well after the successes of the "100 Rand Deals" and "More for Less" promos.

Comment: The integration of the iconic Makro card with rewards and a very nice mobile platform is a smart move.

[Tatler Reporter 10/07/17](#) [Tatler Reporter 10/07/17](#)

Boxer

Fighting fit

In the 12 months to Feb 2017, Boxer Superstores opened a very healthy 25 new stores, including 11 in its new generation discount supermarket format. Boxer's intention is to have "more stores serving more communities". How's that going? So far, so good: they've opened a store in Worcester, a couple in KZN, one in Swaziland and one in the North West. And that's in the space of just one month. Then, as you might recall, a little while back they opened the one in Mitchells Plain, on the site of the first Pick n Pay store opened in a township under the Group Areas Act. The store was opened with Raymond and Wendy Ackerman, CEO Richard Brasher and cricketer JP Duminy in attendance. Thus far, the community is rewarding the historic opening with sales: "We are more than pleased in the progress that we are seeing in the store," says Boxer Marketing Director Andrew Mills.

Comment: The rise of Boxer as a power of retail is one of the most satisfying stories of the last decade.

[Tatler Reporter 10/07/17](#)

SA Retailers

Small potatoes

South African retail is having its day in court, and so far the proceedings have been brutal, with various players giving the big guys stick from all angles at the Grocery Retail Sector Market Enquiry, playing to packed houses over at the Competition Commission. This last week, it was the turn of the smaller suppliers, which argued, in a nutshell, that they don't get a fair shake when it comes to supplying the big retailers, finding it difficult to meet the burden of costs which may include labelling, standards compliance, refrigeration and transport. There have been calls for retailers to be compelled to stock a minimum of products from small suppliers. This is one of those instances where the story *is* the story – the press has been full of these stories this week, not all of them entirely accurate, with very little comment from any of the corporate retailers themselves. All of whom, it should be noted, have their own supplier development programmes from Massmart (see below) to SPAR, Boxer and Shoprite, which each have significant programmes for the support of small farmers.

Comment: What is lost in this investigation is the fact that the retailers are merely the front end of a long value chain where costs are added at every point, from the farm to the forklift. And that small suppliers are subject to the same market forces which reward scale as a means of delivering value to the end consumer. Tricky stuff.

[The Times 06/07/17](#)

MANUFACTURERS AND SERVICE PROVIDERS

The Noodle Factory

Using their noodle

"Who?" you ask. "Never heard of 'em," you sputter into your gin. So let's step it back for you a little: The Noodle Factory is based in the Cape Town suburb of Wetton, and it produces – clever you – instant noodles, for Massmart's Econo private label range. These are distributed in Masscash stores throughout the Western Cape. The Noodle

Factory is 100% black-owned, and 100% a small supplier, falling under Massmart's Supplier Development Programme, which has assisted the business with acquiring upgraded machinery, meeting ISO compliance and certification requirements and improving its packaging to meet labelling standards. How's this going? Job numbers are up from 25 to 129, the plant runs 24 hours at a stretch, they've bought a new boiler, and flour processing has increased from 3.2tons to 8tons per day. Better still, they will soon add another 70 workers to the complement.

Comment: Retailer supplier development programmes make real differences to real businesses.

[Tatler Reporter 03/07/17](#)

Clover

The White Stuff

Some time ago we reported in these pages that Clover had embarked on a major restructuring, handing control of its milk trading arm to dairy farmers in order to focus entirely on its added-value business – and also, incidentally, to dispel any misconceptions concerning its role in setting milk prices. That process is now complete. While Clover retains 26% of its voting rights via its holding of "A" shares in the resulting entity, the new concern, Dairy Farmers of SA (DFSA), might end up selling raw milk to Clover's competitors one day. DFSA's other business will include the procurement and collection of milk, exports, market sourcing, trade negotiations and the supply of 270million litres of milk to Clover at the national average price.

Comment: Clover has always been a business which communicates its strategy and executes it effectively.

[Business Day 06/07/17](#)

TRADE ENVIRONMENT

Business Confidence

A shot in the arm

So here's a bit of a surprise: the dear old ZAR, a currency that a Minister of Finance once confessed to us could be pushed around by currency traders like a second-former in the prefect's room, has pulled its socks up and faced down all comers, gathering strength last month and stiffening the resolve of our shaken business leaders, who expressed this newly-found confidence in a 1.7 point increase in June on the South African Chamber of Commerce and Industry's (Sacci) Business Confidence Index (BCI). This as the South African business cycle reaches month 43 of its longest downward phase since the early 90s when, come to think of it, we were in something of a downward phase ourselves. The consensus, though, is that some serious discussion about the way forward will have to be held between all parties – including government, business and labour, in order to avoid a long-term structural trap caused by factors such as systemic unemployment, poverty and economic regression.

Comment: It does seem to us that the groundwork is being set for a meaningful engagement on the way forward, the likes of which we have not seen since CODESA.

[IOL 07/07/17](#)

IN BRIEF

Reckitt Benckiser

Into the Matrix

Taking the red pill this week were Reckitt Benckiser, becoming one of the first major businesses to put a cost to cyberattacks when they offered a profit warning after infection by a virus which hit globally three days before the end of the second quarter, for which sales, they said, would now fall 2%.

[Business Day 07/07/17](#)

Aspen Pharmacare

Hello, ladies!

Keeping an eye on the main chance this week: Aspen Pharmacare, who are thinking of getting into women's health for a buck. This as part of an expansion strategy which will see further deal-making and acquisitions in the geographies in which the drug maker currently operates.

[Business Day 03/07/17](#)

THE WEEKLY GURU

"You cannot buy loyalty; you cannot buy the devotion of hearts, minds, and souls. You have to earn these things."

Clarence Francis

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