



09 November 2017

The jobs report is out and while quarter on quarter the numbers remains unchanged, economists are warning that things will get much worse in the event of a downgrade. If our financials show profit against the loss of livelihoods, our businesses are *de facto* bankrupt and we have failed as leaders. Now is not the time to let market forces sort things out. Now is the time for a big, national project of job creation any way we can. Enjoy the read.

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### RETAILERS AND WHOLESALERS

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#### Shoprite

##### The shareholders are restless

We'd love to be a fly on the wall, or the receiver or something, when Shoprite has its conversation with shareholders on the more thorny than usual issue of remuneration. This after 65% of the Big Red One's outside shareholders (that's almost 30% of all shareholders) voted against the business' remuneration policy at last week's AGM. New JSE policy requires that businesses getting over 25% disapproval on issues of remuneration have to engage with shareholders; accordingly Shoprite suggested a teleconference. After last FY's outcry against Whitey Basson's R50m payola, Shoprite have scaled things back somewhat, with new CEO Pieter Engelbrecht on a tighter contract than his predecessor, although the PIC, a major investor, has expressed concern that it is skewed too heavily towards fixed remuneration with insufficient detail provided on performance criteria.

**Comment:** The exit of so powerful a figure as Whitey will inevitably change the nature of the Shoprite business, bringing it in line with more traditional levels of shareholder accountability and engagement. We are observing with interest and enjoyment the seeming ease with which Pieter Engelbrecht has stepped into the role, and is driving the business forward, beginning to make his own mark as leader of this impressive retailer.

[Moneyweb 02/11/17](#)

#### Pharmacy

##### There can be only one!

Ali vs Fraser. McGregor vs Mayweather. Clicks vs DisChem. Where does the smart money go? Let's look at the numbers shall we? On the face of it, Dis-Chem all the way, with the share price up 53% since listing last year. Although Clicks didn't do so badly either, at 32%. Not bad for a business of a certain age, shall we say? Both have ambitious plans for growth, with Clicks targeting 20-30 stores a year for the next decade and an eventual haul of 900, and Dis-Chem looking at 21 stores for the next year and 15-odd per annum through 2023. Dis-Chem is also throwing down the gauntlet in traditional Clicks territory, opening its first small-format store recently, and more to come, as well as an alliance with franchise pharmacy group, The Local Choice (TLC), which gives it another channel for growth. And the bottom line? Clicks delivered sales growth of +13.5% to R18.9bn this FY past, and Dis-Chem +15% to R8.8bn in the six months to August. So not much to choose between them. The only downside to either, say our sharp-suited friends among the analysts, are that their share prices are both on the rich side, leaving little margin for error.

**Comment:** We'll hand over here to the imperturbable Mr Kneale: "There is room for two major drug store players," he says.

[Financial Mail 02/11/17](#)

#### Woolworths

##### The Journey is long

It's been a week of contrasts for the Dapper One, with a disgruntled punter arguing that the image of a dead yellowfin tuna on some of Woolies' trucks was at odds with its message of responsibly sourced seafood, and that their promise of cage-free eggs – also displayed on trucks – was unsupported by the realities of food production. One Alison Clark took Woolworths to the Advertising Standards Authority (ASA) for the claims; the retailer, duly cautioned, promised to withdraw the images on the trucks within three months. On the upside, Woolworths became the first African company to sign the Forest Stewardship Council's Vancouver Declaration on the sourcing of materials from responsibly-managed forests. The FSC provides a widely-respected certification system for businesses like Woolworths wishing to do the right thing while making a bob or two.

**Comment:** Woolies' Good Business Journey is an integral and important part of its strategy; on the flipside, this means the retailer is held to a higher standard than its competitors by a passionate and informed customer base.

[The Times 03/11/17](#)

**IMPERIAL Logistics****Let's roll**

Schadenfreude is a wonderful German word meaning the sense of satisfaction one derives from the misfortunes of one of the world's biggest professional services businesses after they've been bust in bed with crooked political and business interests. And so it is with a sense of that this week that we report on the intention of IMPERIAL Logistics to sever ties with KPMG should they fail to provide a satisfactory explanation for their role in the capture of the South African state by the Gupta family. IMPERIAL is worth around R13m a year in secondary accounting and consulting services to KPMG, so that's going to sting. In other IMPERIAL news, Don Marco (Lamberti, for those of our readers who have been living under a rock) may yet split the logistics business from the vehicle import division, but wisely will not make the decision until July next year.

**Comment:** Our institutions and our businesses have offered patchy resistance to the Guptas. Big up to IMPERIAL (and businesses like it) for keeping the flag of governance flying in the stiffening wind.

[IOL 01/11/17](#)

**Nestlé****Goodness gracious**

Nestlé is rapidly becoming a powerful force in the world of ethical food. Some months ago, you will recall, the business acquired the plant-based food manufacturer Sweet Earth Foods, as a bridgehead in the growing plant protein market. It has been working to reduce sugar in many of its products, and is selling off some of its confectionery brands in the US. It may be preparing to follow rival Campbell's into lobbying group, the Plant Based Foods Association (PBFA). It's also leaving the Grocery Manufacturers Association (GMA), a powerful lobby which eschews the principles of responsible regulation and transparency in labelling. It has renewed its commitment to hit a 2020 target for shifting to cage-free eggs across its supply chain, and announced that its animal welfare policy will meet standards set by Global Animal Partnership, an international animal welfare rating programme.

**Comment:** Incredible stuff – reflecting not just the concerns of Nestlé but also the demands of customers and consumers alike for a humane and ethical food supply.

[Organic Authority 02/11/17](#)

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**TRADE ENVIRONMENT**

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**Employment****A jobless army**

Unemployment stayed unchanged at 27.7% for the third quarter of the year, up from 27.1% in the same quarter in 2016. While 92,000 people found work in that period, we added over 150,000 to the working age population in that time, so swings and roundabouts. And speaking of which, while the financial and other business sectors picked up 68,000 jobs, manufacturing lost 50,000, construction about 30,000, and agriculture about 25,000. Of particular concern is that youth unemployment – for people between the ages of 15 and 34 – is running at 38.6%. In other unwelcome economic news, the World Bank in its labyrinthine Washington DC headquarters has pronounced that South Africa has fallen to 82nd place on its 'Doing Business' survey, from 74th last year. One of the reasons for this is that the bureaucratic constraints on business here have remained intact even as they have loosened in other developing countries. And last week we learned that we had lost 14 slots on the World Economic Forum's Global Competitiveness index, with corruption and government instability cited as our most pressing problems.

**Comment:** We are better than this, although the numbers don't suggest as much right now.

[Business Day 01/11/17](#)

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**IN BRIEF**

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**Choppies****Chop and change**

Botswanan contender Choppies has just added 8 stores (and 13,000m<sup>2</sup> of trading space) to its existing haul of 71 within our borders, with the acquisition for R100m of Arizona Wholesalers and Butchers in the verdant province of KwaZulu-Natal. This will bring the South African arm of the operation closer to profitability, says ebullient CEO Ramachandran Ottapathu, who is clearly a practitioner of the long game.

[Business Day 06/11/17](#)

**Massmart****Who run the world?**

Taking strides, if you will, into SPAR and Boxer territory this week is Massmart, which has just launched its own elite women's running club. Team Massmart currently sponsors eight superfast women, including founder Ann Ashworth, the winner of this year's Loskop Marathon. The idea is to throw Massmart muscle behind a relatively under-supported sport while presumably picking up some profile and goodwill for the brand.

[The Citizen 31/10/17](#)

## Shoprite

### Eastern promise

We reported last week that Shoprite was taking over a location from the ailing Nakumatt, in Kenya. Nakumatt itself is in talks with rival Tusky's to discuss a partnership which would enable it to remain in business. And Shoprite, say the experts, are waiting in the wings to see how those talks pan out. With Carrefour having already taken over a Nakumatt space itself, things in Kenya could get very, very interesting.

[Business Live 05/11/17](#)

## Algramo

### Gramtastic

Who? you ask, and you're wrong. Algramo are a Chilean business which provides vending machines to retailers, enabling them to hawk grains by the gram (although depending on the product, we understand most punters opt for more). Shoppers dispense their purchase into reusable containers. This is what is known as a win/win/win, with the third winner being dear old Mother Earth.

[Business Day 27/10/17](#)

## THE WEEKLY GURU

"Fighting corruption is not just good governance. It's self-defence. It's patriotism."

Joe Biden

For further information:

[www.tradeintelligence.co.za](http://www.tradeintelligence.co.za) | [info@tradeintelligence.co.za](mailto:info@tradeintelligence.co.za)

Editorial:

Nick Paul: [nick@tradeintelligence.co.za](mailto:nick@tradeintelligence.co.za)

Advertising Sales:

Phumzile Zulu: [phumzile@tradeintelligence.co.za](mailto:phumzile@tradeintelligence.co.za)