



07 June 2018

A quiet week among the retailers, no doubt they'll come roaring back next week with all sorts of shindigs and shenanigans. Some pretty interesting stuff from SPAR, though, both here and abroad. And something of a shakeup at Nestlé, and – sadly – Tongaat Hulett, where an era is coming to an end. Enjoy the read.

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### RETAILERS AND WHOLESALERS

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#### SPAR

##### Yo Biscuit!

More from the Green One, whose interims we gave you a taste of last week. This week we're out of the PowerPoint and back in the aisles, where SPAR have identified three core categories as drivers of organic growth for the business, namely and viz. personal care, baby, and health & wellness. And how will they impel this organic growth? With research and supplier collaboration to bring product to shelf, driving for the correct range, flow and forward share. Suppliers: start your engines. In other SPAR news, recent UK acquisition BWG has freed up €33m – a fair chunk of change in ronts – for new acquisitions of its own. And further afield, in Sri Lanka, they're looking at opening a couple more stores in their JV with Ceylon Biscuits. To access the one-page review of SPAR's half year results, click [here](#).

**Comment:** SPAR are indeed looking to the future and have recognised the need for a strategic review. We will follow how things unfold with keen interest.

[Irish Times 31/05/18](#), [Daily Mirror 31/05/18](#)

#### Woolworths

##### I am the law

A bit of a dust up between Woolworths and SACCAWU over the issue of the flexitime conversion the retailer implemented in 2012. Woolies, you may recall, retrenched 44 workers who didn't accept the terms of the conversion, SACCAWU appealed to the Labour Court to the effect that the retrenchments were unfair, the Labour Court found in favour of the workers and ordered reinstatement. Woolies took the case to the Labour Court of Appeal, who found that the dismissals were indeed unfair, but that as their positions no longer existed, reinstatement was not a realistic option, a finding to which the union objected and has duly taken to the Constitutional Court. The eminences of that august chamber have reserved their judgement, while Woolworths is seeking leave to appeal to the Labour Court.

**Comment:** The casualisation of the labour market is a thorny issue for all our retailers – and thornier still for their staff.

[Business Day 31/05/18](#)

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### MANUFACTURERS AND SERVICE PROVIDERS

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#### Nestlé

##### The White Stuff

Food giant Nestlé is changing things up here in the Motherland, restructuring in Sub-Saharan Africa and closing a regional head office in Kenya. We're going to cut out some acronyms to make things simple for you here, but basically, Angola and the DRC are set to join Nestlé's Central West Africa Region (CWAR) in a single key market, while the Southern African region will be joined by the Horn of Africa, Southern, Eastern and Island clusters in a larger market known as the Eastern and Southern African Region (ESAR). The Kenyan Head Office has apparently done sterling work over the past decade, but the region has not done enough business to justify its costs. While you're sparing a thought for affected staff, spare one also for the 500 Swiss IT workers whose jobs the business is shipping off to the balmy and presumably more cost-effective climes of Spain, Portugal and Italy.

**Comment:** All of this as part of an accelerated restructuring in order to reduce costs across the business.

[Foodbev.com 29/05/18](#)

#### Tongaat Hulett

##### Bittersweet

The winds of change are blowing shifting patterns in the cane and ruffling the Calloway shirts of the sturdy gentlemen on Durban's fairways: after 16 years at the helm, Tongaat Hulett CEO Peter Staude is stepping aside. The move is not unrelated to the recent results – against a backdrop of increasing imports, which saw industry sales decline by -27% last year and sugar prices drop -12%, Tongaat's headline earnings fell more than -37%, with operating cash flow declining by over -28%. Under Staude, the business moved increasingly from sugar into property development, selling off land and delivering a handsome return to shareholders. Until the last couple years,

that is, with a slowing in land sales and a -54% decline in the share price. More trouble is in the horizon: the sugar association expects that the sugar tax will reduce sugar demand in the sugary beverage sector by 200,000 tons.  
**Comment:** Tongaat's post-sugar, post-land third act will, we suspect, be as impressive as the first two.

[Business Times 03/06/18](#)

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## TRADE ENVIRONMENT

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### GDP

#### Drawn and quartered

Not the news we were hoping for, and that's for sure. After surprise growth of +3.1% in the last quarter of 2017, GDP declined quarter on quarter by -2.2% in the first three months of this year, with agriculture, manufacturing, mining, electricity, construction and trade all recording negative growth against the last quarter of 2017. Agriculture, including fishing, was a particular worry: the sector which basically carried us through 2017 shrunk by -24% quarter on quarter. Before you run screaming for the exits, bear in mind that GDP growth for the fourth quarter is generally higher than the other three, and that first quarter growth is thus often, necessarily, negative – when compared to Q1 of 2017 though, the growth is in fact positive. But then there's this, probably the most worrying line from StatsSA's generally bleak report: "General government services increased by +1.8%, attributed to an increase in employment numbers."

**Comment:** More manufacturing, fewer pencil pushers at the Department of Home Affairs, is our cry.

[Tatler Reporter 05/06/18](#)

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## IN BRIEF

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### Woolworths

#### 'n Boer maak 'n plan

Back in the more innocent, hopeful days of '11, Woolies launched its Farming for the Future programme, with 14 members and a view to eventually source all its key commodities in a sustainable manner. Participating farmers – of whom there are now an impressive 196 – are evaluated every year according to sustainability criteria which include soil management, water use, biodiversity, waste disposal, pest management, carbon footprint and adherence to environmental laws. The happy by-product of all of this, of course, is food that is tastier and healthier to eat.

[Tatler Reporter 04/05/18](#)

### Pioneer

#### The jewel in the crown

Coronation Asset Management has let it be known that it has increased its stake in Pioneer Foods to 5.15%, a symbolic step above the 5% mark and a vote of confidence in the long-term prospects for a business which makes a fair chunk of its change selling the basics to hungry South Africans across the economic spectrum. Last week, you may recall, Pioneer announced a tidy set of interims, with gross profit up +12% to R2.9bn.

[IOL 01/06/18](#)

### International Retailers

#### Higher learning

Over in the UK Tesco is concerned about the effect on the Clubcard database due to the General Data Protection Regulation (GDPR), which came into effect last week. As we contemplate the onset of our own Protection of Personal Information (POPI), are there any amongst us worried about the value of the data gathered through their own Clubcard or indeed Smart Shopper programs. Well? In the States, meantime, Walmart has rolled out a very tony personal shopping service, called Jetblack, whereby shoppers will be able to ask for broad recommendations rather than hiking the echoing aisles of online retail themselves. In more interesting Walmart news, the retail giant has offered to subsidise higher education for all 1.4m of its US employees. And that, dear ones, is a wrap.

[Tatler Reporter 05/06/18](#)

## THE WEEKLY GURU

"Everything is a miracle. It is a miracle that one does not dissolve in one's bath like a lump of sugar."

Pablo Picasso

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