

10 ^{ti} trade intelligence™ questions

with **Louis Greeff**
Chief Executive Officer
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Louis Greeff talks transformation in the SA FMCG industry

Against a backdrop of what he describes as the toughest trading conditions yet in South Africa, Louis Greeff, CEO of EST Africa, sheds light on where the SA FMCG industry has come from, and presents his views on the transformation he would like to see into the future.

1 | How is the EST Africa business tracking?

The FMCG division has been going for about 11 or 12 years, while the hardware division was established about six years ago. Both of these divisions are big punters in the market, so it reduces the risk of being in FMCG only, because that's a rollercoaster ride at the best of times.

At present, the FMCG side is going okay. Hardware, on the other hand, has been flying for six years and continues to fly. If you ask me, "Why?", I don't know. It is just happening.

2 | What do you think is the single biggest difference between the EST Africa FMCG business and the hardware division?

One factor that comes into play here is margins: the hardware side of the business traditionally takes margins, while the FMCG members are just turning cash. That's the only thing they do. Make a percent here, make a half a percent there, make two percent there.

3 | What are the biggest shifts or changes within the FMCG side of the business?

We've seen growth in the independent maize sales, with consumers changing from well-known brands to secondary independent brands that compete at price points.

The bottom-end consumer has always been a brand loyal consumer, but now they

just don't have the money to buy a brand that they've been loyal to.

4 | What is motivating these shifts in consumer behaviour?

Shifts in consumer behaviour show that the bottom-end consumer is taking strain. But you know the saying in the trade – "Poor people need good prices and rich people love them". So everyone is price sensitive.

5 | What other factors are affecting consumer behaviour?

Consumer fatigue is another big factor, worldwide – even in first-world countries. Ranges are overwhelming – it's all a time factor. Consumers know what they want. Just because they are presented with new product launches or promotions, does not mean they want or need those products. That may explain why hard discounters that are reducing the product range are performing so well.

6 | How will the economic pressures facing the consumer affect retail?

A book called Retail Disruptors (Steenkamp, J & Slood, L), explains it very well: "Bad economic times are good news for hard discounters. They grow disproportionately in recessions and do not give away their gains in good times." This is just perfect for independent wholesalers. They are, in fact, hard discounters, because that's the thing they do best.

7 | What has come out of the Competition Commission Grocery Retail Market Enquiry?

The findings from the Competition Commission's enquiry have been published. The Competition Commission showed great support for buying groups, which would help to level the playing field in retail. If it wasn't for buying groups, there would be no independent trading left in South Africa.

8 | What recommendations would you make to level the playing field in retail?

Looking at the independent sector, the way the foreigners operate plays a major role. In terms of retail in general, digital technology is going to play a massive role in time to come with regard to physical bricks and mortar retail. It's not only about the influence on the consumer but also the trader, and how he's going to source his products. I think digital is going to bring a massive change in behaviour, not only for the consumer but also the way we do business.

9 | What is the view on the informal independent trade?

Informal independent trade was another big talking point in the Competition Commission's enquiry. If suppliers continue to discriminate in pricing and in trading terms, compared to their dealings with corporate retail, there will be no informal trade left.

10 | What is the way forward in the relationship between supplier and buyer?

South African suppliers, like suppliers all over the world, are not strong enough to stand up to the corporate retailer buyers. If suppliers can properly negotiate reasonable terms with retailers, it would create big changes in the retail industry, working towards a level playing field. 📞

ABOUT ELITE STAR TRADING AFRICA

Elite Star Trading Africa (EST Africa) is an independent buying group formed in 2007 through an amalgamation of the Devland Cash & Carry, Yarona Cash & Carry and Hikma trading operations. The Group holding company is known as Elite Star Trading (Pty) Ltd T/A EST Africa.

EST Africa is structured as two operating divisions – EST Africa (Pty) Ltd which represents the Group's food and grocery business and incorporates a total of 228 independently owned and managed wholesale, retail and distribution outlets. EST Building represents 650 hardware and

building supply stores.

Both divisions have a prominent footprint in South Africa, neighbouring states and other sub-Saharan African countries. The Group is headed by CEO Louis Greeff.



Louis Greeff | CEO EST Africa



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