



10 September 2020

We're not running a story on the Clicks ad this week: the facts are known, and you've read them. But we will say this: we are living at a time when there are consequences for racial bias, whether deliberate or unconscious. This is a lesson all of us should take on, within ourselves and in our organisations. There are no more excuses. Enjoy the read.

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## RETAILERS AND WHOLESALERS

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### Shoprite

#### Usave, Uscore

An impressive set of numbers from Shoprite Holdings, all things considered: Group sales up +6.4% to a record R156.9bn for the year through June, with trading profit, excluding hyperinflation, up +10.4% to R8.3bn. Here in the Beloved Country, Supermarkets RSA increased sales by +8.7%, with Checkers a particularly pleasing performer at +13.5% up and Usave positively storming home at +16.5%, adding 14 net new stores for a total of 374. RSA Shoprite stores reported sales up +5.5% and added a net 6 stores to take the base to 503 stores. The two weeks before lockdown saw major sales across the Group, thanks in no small measure to panic buying. In other, perhaps not unrelated news, Shoprite announced that it intends to dispose of a majority stake in its Nigeria subsidiary and plans to exit Kenya by the end of 2020. For more info, see our summary [here](#).

**Comment:** A great South African business, innovating and adapting at the most difficult time any of us can remember.

Tatler Reporter 09/09/20

### SPAR

#### Musical offices

Big changes at SPAR, where Graham O'Connor will be stepping down as CEO and Mike Hankinson as Chair as of the 2021 AGM. O'Connor will replace Mr Hankinson and will in turn be succeeded at the helm by Brett Botten, currently MD of SPAR South Rand, and previously of the North Rand, Lowveld and Eastern Cape divisions. Graham O'Connor succeeded Wayne Hook as CEO in 2014 and has presided over an exciting period in the business' history, with solid growth back home and diversification into new geographies including the UK and Ireland, Switzerland and Poland, with varying degrees of success. In other moves, South Rand marketing executive Jerome Jacobs is taking over as MD of North Rand, and moving onto the executive committee, replacing Des Borrageiro who has been promote to the now-vacant South Rand slot. And Mr Hankinson is just retiring outright.

**Comment:** Exciting times. And no doubt good for the business, with lots of continuity.

Tatler Reporter 08/09/20

### Massmart

#### The Slape of things

Mitch Slape is putting his money where his mouth is to the tune of 8 million something South African rand, or 300,000 Massmart shares, which he's purchased either as a truly epic PR stunt or because he believes his turnaround of the business is solidly on track, probably the latter we surmise. He's made some pretty decisive moves since taking the reins: simplified the business into two divisions, taken fresh produce off the menu at Game, outsourced IT support to Walmart's Indian operation, paid out R46m in severance packages to reduce staff costs, and shut down DionWired, just for starters. While the business lost R1.2bn this financial, profit margin, a good measure of efficiency, was up just shy of a percent for the period. He'll also apparently be looking at the profitability of operations in Africa (read: more cuts). It seems that the punters are willing to back the horse that Mitch rode in on too: while the share has lost -44% in this horrible year, it was up almost 4% by close last week.

**Comment:** Go big or go home. Fortunately, it seems that Mitch has decided to stick around.

Business Day 02/09/20

### International Retailers

#### You've got to give a Lidl...

Sigh. It's early September, which means you're agog with anticipation for Tesco's Black Friday plans. Black Friday, you may recall, is a consumer holiday which falls the day after America's celebration of Thanksgiving, which commemorates the dispossession of native Americans of their corn and turkeys by settlers, before their dispossession of an entire continent. Where were we? Ah yes. Black Friday, by which consumers are dispossessed of their savings in exchange for items they never knew they needed, roughly a month before it happens all over again at Christmas. Anyway, Tesco are going all out this year, with big savings on technology and entertainment. And, um, that's it. Need to know more about Black Friday on South African shores? [Click here](#) for a gander at our new report. (ok, end sales pitch here. Ed) Back to foreign lands, Lidl have introduced their first smartphone loyalty rewards app, promising shoppers discounts on its own-brand products, cinema tickets and Sky TV packages.

**Comment:** Truly we live in a time of wonders.

Tatler Reporter 18/08/20

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Tiger Brands

#### In the forests of the night

A trading update from Tiger Brands this week in which the Striped One let it be known that headline earnings per share (HEPS) for the year through September would come in -35% to 40% lower than last year, as a result of costs of complying with COVID-19 regulations, estimated at R175m for the three months to June, and another R127m for the

next three, as well as R70m in restructuring costs associated with its adoption of a fit-for-future operating model. Offsetting these were an +11% rise in revenue for the three months through June as people stocked up on categories like rice, pasta, breakfast oats, groceries and home and personal care on which Tiger has built its business. In Nigeria, meanwhile, Tiger has settled its dispute with the distributor of its Benny and Jolly Jus lines, with sales resuming in August. They're also a little closer to finalising the sale of the Deli Foods assets in that tricky geography. Back home again, they've got out of their troubled value-added meats business and are looking to do the same with deciduous fruits.

**Comment:** Big changes, which may indeed go some way to tightening the business up for future performance.

[The Africa Report 01/09/20](#)

## Sea Harvest

### The devil and the deep blue sea

More interims, this time from Sea Harvest, which reported an increase of revenue of +7% to R2bn for the six months through June, with operating profit down -5% from the previous six months to R267m. What's up with that? R11.2m in direct COVID-related costs for starters, as well as supply chain disruptions, encompassing both lower throughput and lower levels of productivity. "We needed to adapt to market conditions globally by changing our product and market mix relatively quickly with a focus on retail as out-of-home consumption declined to virtually zero worldwide," explains CEO Felix Ratheb. Hit particularly hard by the pandemic was the aquaculture operation, which supplies abalone to the Asian food-service sector, notably in Hong Kong. On the upside, its South African fishing business, the Cape Harvest food group and the Australian operations all turned in solid performances.

**Comment:** Another great South African business, adapting to conditions no one would have imagined.

[IOL 01/09/20](#)

## CHEP

### Smooth on the pallet

Pallet pioneers and all-round global force CHEP are bringing retail-ready packaging on a different scale to the shelves of South Africa's supermarkets. The Retail-Ready Platform (RRP) is an innovative last-mile solution that allows products to be moved from factory floor to the store floor on a single pallet, to be delivered either directly within a shelf, in an aisle, or as a freestanding unit. The platforms are smaller "fractional pallets" that include a protective cardboard wrapping, doubling as an in-store branding and marketing opportunity. They will bring efficiency and remove waste from categories like sugar which involves a lot of handling along the supply chain causing both damage and inefficiency. RRP was tested in PnP stores in Gauteng, with the assistance of Neural Sense, a neuromarketing company that fitted shoppers with mobile eye-tracking glasses to see what grabbed their attention; RRP outperformed other point-of-sale activities, with 67% of shoppers preferring the palletted displays to more prosaic shelved stuff. For more on this game changer, [click here](#).

**Comment:** CHEP has always been a champion of supply-chain efficiency, which still represents an almost bottomless well of savings for manufacturers and retailers alike.

[Tatler Reporter 18/08/20](#)

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## TRADE ENVIRONMENT

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## GDP

### Down but not out

The GDP numbers were out this week and are every bit as bad as you would have expected, and perhaps worse. "The punch in the gut was severe" begins the press release from the otherwise more sanguine sages at StatsSA, who went on to give us the numbers: GDP down -16% from the first to the second quarter of this terrible year, with an annualised quarter-on-quarter decline of -51%, a number we had to look at twice to make sure we weren't mistaken while questioning the reason for annualising. To put it in context, the annualised slowdown during the first quarter of 2009 when the financial crisis hit was -6.1%. Looking into StatsSA's reported annualised quarter-on-quarter numbers, construction was hardest hit as a sector, down -76.6% after seven straight quarters of losses, and manufacturing was just about as bad at -74.9%. Trade declined -67.6%, and household spending for the period was down -49.8%, with spending on hotels and restaurants alone declining -99.9%, and spending on tobacco and alcohol down -92.4%.

**Comment:** What have we learnt from all of this? Right now, we don't know. But if and when recovery comes, we should spend some time and capital on futureproofing our economy against further inevitable shocks.

[Tatler Reporter 18/08/20](#)

## THE WEEKLY GURU

"Strange times are these in which we live when old and young are taught falsehoods in school. And the person who dares to tell the truth is called at once a lunatic and fool."

Plato, circa 424 BC

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