trade intelligence

Trade Tatler

NEWS FROM THE CONSUMER GOOD INDUSTRY – **FRESH EVERY WEEK**

Standard Bank TOP WOMEN AWARDS WINNER 2022 topco media

16 February 2023

Happy Valentine's week, dear readers. Some solid results down below, with an absolute barnstormer from jewel in the Pick n Pay Crown, Boxer Superstores. Worrying numbers on the economic front, and Massmart joins the long list of South African retailers to exit Kenya. Enjoy the read.

YOUR NUMBERS THIS WEEK

+20.7%	0	75%	5-8m	16%	-0.6%
sales increase at ***Boxer*** for 43 weeks to 25 Dec	the no. of ***Massmart stores*** in ***Kenya*** after Builders' exit	of ***Checkers' flowers*** are locally sourced	formally employed South Africans have ***no medical aid***	***PepsiCo's*** 2022 global organic ***revenue growth***	decline ***in retail trade sales*** for Dec 2022

RETAILERS AND WHOLESALERS

Pick n Pay

A heavyweight contender

We are sure that there are rules for when you should release trading updates. But we are equally sure that we are too old to learn them. So here goes: In Pick n Pay's trading update for the 43 weeks through December 25, it revealed that it had spent R346m YoY on diesel, which is fast becoming the leading indicator for financial reporting. It also mentioned that Group sales were up a not-inconsiderable +9.3%, with growth here at home of +9%, Pick n Pay itself up +4.5% and – here's the real story – Boxer storming through at +20.7%, a number unbeaten as far as we can tell by any supermarket brand this FY. Of the approximately R4.5bn CAPEX specified under Pick n Pay's Ekuseni strategic plan, R1.4bn is set aside to accelerate the Boxer business. Boxer has added 44 stores to its haul this financial year.

Comment: What is it with Boxer? Pricing, obviously. A narrower, easier-to-shop range? A compelling mix of products and services? Great branding and execution? All of the above, perhaps.

IOL 09/02/23

Massmart

I bought the farm in Ahfrica

Massmart's Builder's hardware brand joins a growing list of South African retailers who have tried their luck in East Africa and failed. Massmart announced a couple of weeks back that it would be closing its only Builder Warehouse, at the Waterfront Karen Nairobi, after three very tricky years. Particular issues, they say, include persistent financial losses and the inability to bring in stock due to stringent regulatory import requirements. The closure is not solely of concern to Massmart and other South African stakeholders. "(I'm) not sure why South African investments have found it hard to invest in Kenya unlike others," says Carol Kariuki, CEO of the Kenya Private Sector Alliance (Kepsa). Ken Gichinga, chief economist at Mentoria Consulting has a theory: "While many South African companies understand the promising macroeconomic landscape of Kenya, they don't spend enough time appreciating the equally important microeconomic elements of consumer behaviour, (and) price sensitivity, all of which are aspects of behavioural economics," he says. "In the end they fail to connect with the customer."

Comment: Partnering with local outfits is one way to go, as some of our bigger non-retailers like Stanbic and Old Mutual have found.

The East African 09/02/23

In Brief

I can buy myself flowers

This Valentine's Day, 75% of the roses for sale in **Checkers** supermarkets were sourced locally from farms in Mpumalanga and Free State, by Flower Co., a department of Shoprite Group's Freshmark produce procurement and distribution arm. "Flower sales at Checkers grew over +30% in the last financial year," says Witchious Conradie, Regional Trading Manager at Freshmark. Moving on, in further news of the vertical integration of the medical supply chain, Discovery Health, **Clicks** and Auto & General Insurance have joined forces to bring the existing Flexicare health insurance product – previously available only to corporate staff – to Clicks shoppers. This being Clicks it will also be tied to their venerable yet still innovative ClubCard programme, with members receiving a 10% premium cashback and loyalty benefit when they purchase the product online. Discovery reckons there are five to eight million South African in formal employment who don't have medical aid, yet who access private health services and pay out of pocket for medications – an attractive segment of a lucrative market.

Comment: A further canny move by Clicks as it expands its beachhead in 360-degree healthcare.

Tatler Reporter 14/02/23

International Retailers

Clicks, bricks, kicks

In the US, supermarket giants **Kroger** and **Albertson's** are considering selling off a combined 250-300 stores to satisfy concerns about competitiveness around their proposed merger. It's estimated the sale would net the retailers around $1bn in a deal that if it goes through would be worth close to $25bn. The proposal would be scrutinised by the Federal Trade Commission – anything over 650 stores, say the parties, and the deal would be off. Also in the US, **Amazon** has

announced a new $150 minimum for free grocery delivery – a move seized upon for some opportunistic shade-casting by rival **Walmart**, which still offers free delivery on orders north of $35. Sticking with Amazon, CEO Andy Jassy has let it be known that the online retail behemoth still intends to invest heavily in bricks and mortar grocery. "We're hopeful that in 2023, we have a format that we want to go big on, on the physical side," he says, in an interview heavily laden with Valentine's Day double-entendre. "We have a history of doing a lot of experimentation and doing it quickly. And then, when we find something that we like, doubling down on it, which is what we intend to do."
Comment: You don't say.
Tatler Reporter 14/02/23

MANUFACTURERS AND SERVICE PROVIDERS

PepsiCo

Pump up the fizz

Some results from PepsiCo, international parent you will remember of Pioneer Foods, which it bought for R24.4bn a couple years back. Globally, the business has achieved organic revenue growth of +16% in 2022, marking its seventh straight quarter of double-digit growth. It attributes its success to investments it has made in its people, brands, portfolio, value chain, and go-to-market systems. And it's particularly stoked with its progress right here in the BC. "Each of our international divisions reported strong organic revenue growth, led by Latin America and Africa, Middle East and South Asia. Both divisions delivered more than 20% organic revenue growth for the full year, with South Africa delivering double-digit organic revenue growth," the business avers. And it's not just all about the bottom line: the Bašumi Trust, established as part of the South African deal, has paid 10,500 beneficiaries an annual dividend of R1,908.35 each as part of its B-BBEE employee share ownership scheme.
Comment: A business increasingly known for not playing second fiddle to another global maker of fizzy drinks, PepsiCo has charted a bold new course for itself – a risk that seems to be paying off.
News 24 10/02/23

In Brief

Up in smoke

More results, this time from **BAT**, which grew global revenue just shy of +8% to £27.6bn, with sales in its vaping and heated tobacco business up by 37% to £2.8bn. While BAT has lost a ground to illegal products here in SA – which BAT estimates own 70% of the local market – this remains one of the biggest markets by share for the tobacco giant. Moving on, taking the helm at **Danone** Southern Africa is Hervé Orama Barrere. He will, in the way of these things, be responsible for the continued success and growth of the business, whose portfolio includes NutriDay, Ultra Mel, Yogi Sip, Inkomazi, DanUp and the recent addition, Alpro, a plant-based portfolio. Barrere was previously MD in Nigeria and later in Algeria. Privately, he is said to be disappointed that he wasn't sent to Liberia. Or indeed Siberia. (Oh Stop. Ed.) Finally, in news we missed at the tail-end of last year, African Equity Empowerment Investments Limited (AEEI), which owns 56% of the shares of **Premier Fishing and Brands**, holds firm in its intention to buy the lot, and negotiations are ongoing.
Comment: The story of empowerment in South Africa's fishing sector has been a long saga of the sea that remains unfinished.
Tatler Reporter 14/02/23

TRADE ENVIRONMENT

Retail Trade Sales

Buy the numbers

The hoary sages over at StatsSA released the retail trade sales figures yesterday, and we wish there was a better story to tell: overall, retail trade sales decreased by -0.6% YoY in December, with the biggest losers being retailers of pharmaceuticals and medical goods, cosmetics and toiletries, down -5.2% and contributing -0.3 of a percentage point to the sorry haul; and hardware, paint and glass, down -3.9%. And lest we get too smug, this great industry we call home, characterised as food, beverages and tobacco in specialised stores, was down -1.1%, contributing -0.1 points to the decline. Sales for the year were up +1.7% from 2021, but that was of course off a very low base, with retailers in textiles, clothing, footwear and leather goods doing the heavy lifting at 6.8% and contributing 1.1 percentage points. Finally, for the final quarter of last year, sales in our sector declined -2.4% contributing -0.2 of a percentage point to the overall decline of -0.2%. Also in this week: CPI for Jan 2023 was up +6.9%, with food and non-alcoholic beverages the largest contributor at +13.4%.
Comment: Two sets of numbers which reflect the enormous pressure on South African consumers – and indeed businesses – right now.
Tatler Reporter 15/02/23

THE WEEKLY GURU

"What I find most disturbing about Valentine's Day is, look, I get that you have to have a holiday of love, but in the height of flu season, it makes no sense."
Lewis Black

For further information: www.tradeintelligence.co.za | info@tradeintelligence.co.za

Editorial: Nick Paul: nick@tradeintelligence.co.za
PR and Story Submissions: tatler@tradeintelligence.co.za
Advertising Sales: info@tradeintelligence.co.za