trade intelligence

# Trade Tatler

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

TOP WOMEN AWARDS WINNER 2022

**08 June 2023**

Happy Pride Month to our LGBTQ+ readers and your many allies in this great industry we call home. Lots of interims down below, some understandably muted (SPAR), some surprisingly stellar (Oceana). Some interesting news from the nexus of commerce and food relief, out of Ukraine. And PepsiCo bets big on a proud local business. Enjoy the read.

## YOUR NUMBERS THIS WEEK

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|---|---|---|---|---|---|
| **R700m** | **R346m** | **50,000** | **+87.5%** | **0.6pt** | **-3.3%** |
| paid for ***diesel*** by ***SPAR*** stores over 6 months through March | ***savings*** on ***Shoprite***'s ***electricity bill*** through LED lightbulbs | ***informal retailers*** in Africa reached by delivery startup ***Wasoko*** | increase in ***operating profit*** at ***Oceana Brands*** | decline in the ***PMI*** for ***May*** | drop in ***Tiger Brands*** interim net ***profit*** |

## RETAILERS AND WHOLESALERS

### SPAR

**DeSPARate times**

A trading update from our friends at SPAR, who seem to be struggling to get their mojo back after the upsets and distractions of the various scandals which plagued them in the first half of this admittedly tough-to-begin FY. First the good: turnover was up pretty much all over the map for the six months to end March, with total turnover increasing +8% to R73bn some change, SPAR Southern Africa up +6%, Ireland and Southwest England coming through at +8.8% in euros nogal, and Poland up +4.9%. The only fly in the fondue, as it were, was Switzerland, declining -4.3% on lower volumes. TOPS also fell by -1.9%, coming as it did off the post-COVID bounce. On the downside, the business expects that DHEPS – a solid indicator of profitability – will be down in the region of 25 to 35% as distribution and fuel costs in Southern Africa climbed by +27%, with member retailers forking out R700m for diesel during load shedding. And IT costs are up +52% on a troubled SAP rollout at the KZN DC.

**Comment:** A six months that SPAR would no doubt rather forget. Although as the share price takes a savage hit, the savvier analysts are calling this resilient retailer a buy.

News 24 31/05/23

### Woolworths

**Unsocial media**

Woolies has taken the usual amount of social media flak as it launches its month-long WPride campaign, with pride-themed apparel in the rainbow colours and messages of LGBTQ+ ally-ship on some of its comms. "Just remember what happened to Budweiser and Dischem, where unacceptable behaviour was punished by normal people," spluttered one twitter scribe, while others are threatening to boycott Woolies completely. Woolworths for its part seems determined to stay the course. "We are committed to promoting spaces in which everyone is accepted, protected, respected, and celebrated, regardless of where they come from, what they look like, who they love, or how or whether they worship," they said. "During International Pride Month, our WPride campaign acknowledges the extent to which certain groups in our society are marginalised by celebrating the LGBTQIA+ community." According to Statista, South Africa is the most LGBTQ+ friendly country in Africa and is the only country in Africa where same-sex marriage and partnership are legal.

**Comment:** Social media has a way of amplifying the angriest voices. It's a dangerous tool we should use with greater circumspection.

IOL 04/06/23

### In Brief

**Inside the box**

Big up to **Pick n Pay** this week, the delivery of whose Content Boxes to 2,500 schools around the country are benefitting over 1.8 million learners through their School Club programme. "The Pick n Pay School Club content is geared towards supporting educators with supplementary lesson plans, worksheets and posters that cover topics that are required to be taught," says Vaughan Pierce, Executive: ESG at Pick n Pay. To **Clicks** now, whose acquisition of Sorbet's franchise assets has been approved by the Competition Tribunal. This is Clicks' first franchise acquisition. "Sorbet is a highly trusted brand with a loyal and growing customer base and we aim to capitalise on the opportunities to expand our presence together and accelerate revenue growth," says CEO Bertina Engelbrecht. Finally, lighting the way this week is **Shoprite**, whose installation of over a million LED bulbs across 1,600 stores has already reduced its electricity bill by -11.8%, saving the business R346m in electricity costs.

**Comment:** As we have often remarked – savings and efficiencies are the first stop for any business pursuing sustainability. And a rebuke to anyone who still believes that sustainability is a nice-to-have.

Tatler Reporter 07/06/23

## International Retailers

### Big wheels keep on turning

In Moldova, UK supply-chain outfit **Oakland International** has teamed up with NGO Hope4 to provide a route to market for Ukrainian brands and suppliers to access UK retailers. Initially just assisting with food relief to Ukraine, Oakland saw the bigger commercial opportunity. “Instead of just bringing in humanitarian aid we are now working to provide a subsidised back-haul solution primarily for Ukrainian producers to access the UK retail and foodservice markets, which will not only help stimulate economic recovery but offer a hand-up and not a hand-out, equipping them to be self-sufficient and create new jobs for local people,” says Oakland founder and CEO Dean Attwell. Further south, Kenyan retail-tech startup **Wasoko**, which provides free same-day delivery of essential goods and financing to informal retail stores across Africa has expanded into Zambia. Thus far, the business has delivered over 2.5 million orders to over 50,000 informal retailers across Kenya, Tanzania, Rwanda, Uganda, Ivory Coast, and Senegal. Zambia marks its first foray into Southern Africa.

**Comment:** Distributors that serve the informal trade are a burgeoning route to market on our continent. And Kenya is a hotbed of innovation in this field.

Tatler Reporter 07/06/23

## Value Promotions

### Get your value here!

When we started Trade Intelligence, we were in the midst of a consumer boom that was driving the economy forward as millions of new middle-class shoppers started exercising their economic might. Last week the CEO of one of South Africa’s largest food producers was quoted as saying that the current consumer environment is the worst seen in 25 years. Prices are up and margins are down leaving FMCG businesses with no fat left to trim. To secure shoppers’ shrinking grocery budgets, retailers and manufacturers are forced to run frequent and deep value promotions. But providing real value to shoppers while still maintaining a level of profitability is a tricky balancing act, as a slew of patchy results and interims has shown. Still, there is no escaping the unpalatable truths of this difficult time for our country and our economy. The businesses which best understand the forces at play and are able to offer provide value through promotions while maintaining profitability, are the businesses which will succeed.

**Comment:** Easier said than done, for sure. Which is why we’re offering you a massive 40% discount on the Trade Intelligence Value Promotions report, full of practical insights to help you achieve bang for your promotional buck. Click here to find out more.

Tatler Reporter 07/06/23

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## MANUFACTURERS AND SERVICE PROVIDERS

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## Tiger Brands

### Burning bright* (*for as many as six or seven hours a day)

A sad set of interims this week from the Striped One, whose CEO Noel Doyle observes evocatively that the consumer’s “elastic has snapped”, and the resilience we saw in December is now a thing of the past. Total revenue rose +16% to R19.4bn for the six months through March, driven by price inflation of +17%, and overall volumes declined -1%, while net profit dropped -3.3% to R1.19bn. Within the business, Tiger was surprised by the sales drop in its Crosse & Blackwell, Koo and All Gold brands as cash-strapped punters opt for cheaper brands and even go without. On the upside, they did see a strong volume recovery in Bakeries, Snacks & Treats and Personal Care and good performances in Sorghum Breakfast, Rice, Beverages, and Out of Home, their words. Loadshedding costs, a line item nowhere else in the world, were R76m, compared with R12m for the corresponding period last year. “Despite the immediate headwinds, we will continue to balance short-term impact with long-term growth without compromising the future sustainability of the business,” the Group said.

**Comment:** The potential that great businesses like Tiger Brands bring to an economy is being squandered by an ineffectual national administration.

Business Day 30/05/23

## In Brief

### The world is their oyster

PepsiCo South Africa’s subsidiary **Pioneer Foods** has acquired, for an unspecified amount, the half of Futurelife Health it does not already own, eight years after buying its initial stake in the phenomenally successful maker of the nutrient-dense breakfast cereals and snacks. “Futurelife is an innovative brand within the cereals market, and we believe its product basket will complement our current portfolio,” said PepsiCo South Africa CEO Riaan Heyl. Moving on, another dust-up among the marketers, in which **Clover** has successfully seen to it in the Supreme Court of Appeal that **Stork** remove from its Butter Spread product any labelling which suggests that the product is made of real butter. Clover’s rival Butro product actually contains more of the unctuous yellow animal fat; Stork has seven days to comply. Finally, interims from **Oceana Brands** which saw revenue up a vast and heaving +47.8% to R4.5bn, highlighting, they say, the benefits of diversification across product lines and geographies. And operating profit was up an even more oceanic +87.5% to R648m.

**Comment:** Results which come on the back of good fortune in a difficult ambit, and years of shrewd decisions.

Tatler Reporter 07/06/23

## The Economy

**Taking the Survival Model for a test drive**

The Absa Purchasing Managers' Index (PMI), compiled by the Bureau for Economic Research, declined for the fourth successive month in May, from 49.8 points to 49.2. The index measures manufacturing activity, which has been hit by deteriorating business conditions and sentiment amid the national power debacle. BankservAfrica's Take-home Pay Index (BTPI), in the meantime, brings more bad news, with average nominal take-home pay declining -4.2% YoY to R14,534 a month. "The environment remains unfavourable for comfortable wage increases or job creation," says the automated payments clearing house. "Organisations will likely remain in 'survival model' for an extended period." Finally, Reserve Bank governor Lesetja Kganyago is taking flak for last month's 50-basis points rate hike, which pundits agree is likely to fix neither inflation nor the rand.

**Comment:** It was ever thus: rate hikes meant to fix things just add strength to the perfect storm of unfavourable indicators for South African businesses and consumers alike.

Tatler Reporter 07/06/23

## THE WEEKLY GURU

"Need is not demand. Effective economic demand requires not merely need but corresponding purchasing power."

Henry Hazlitt

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