

Trade Tatler

NEWS FROM THE CONSUMER GOODS INDUSTRY – FRESH EVERY WEEK

23 May 2024

An interesting mix this week: some big acquisitions, a spot of good economic news, Shoprite goes gangbusters on delivery, and Astral shows the poultry industry how it's done. Next week, South Africa goes to the polls. As we vote, we should remember that the excellence of our own great industry is just one marker of what our country is capable of. Speaking of voting, [take a look at this great article](#) by our own Nicola Allen as she considers the 'votes' that South African shoppers make every day on the shop floor. Enjoy the read.

YOUR NUMBERS THIS WEEK

10,000 GM lines to be introduced on <i>Checkers Sixty60</i>	4 private brand <i>meat lines</i> at <i>SPAR</i>	-5.7% drop in <i>US independents' sales</i> when 'dollar store' opens nearby	+461% increase in <i>operating profit</i> at <i>Astral Foods</i> to R550m	R3bn acquisition of <i>BevCo</i> by Delhi's <i>Varun Beverages</i>	+2.3% <i>retail trade sales</i> up YoY for <i>March</i>
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RETAILERS AND WHOLESALERS

Massmart

Big Brother

Some interesting news from Massmart, as you know now wholly owned by Walmart in an acquisition that never quite seems to deliver its full potential – this might shift the balance a little though. Massmart is working closely with Walmart's global buying offices around the world to secure better prices on a wide range of products. The process involves Walmart sourcing experts developing a virtual merchandise showroom from which local Massmart buyers can view and select potential items. "The process basically brings Walmart expertise into our buyers' offices and is developing practical and meaningful value to our customers," says Von Stander, Massmart's Global Sourcing Executive. Currently – and understandably – the system seems geared towards general merchandise items like cookware, microwaves and hand tools. Punters have apparently responded positively to the lines on offer and their prices.

Comment: In fact, Walmart has had a big impact on the Massmart business, particularly in its omnichannel offering. It would be interesting to see the extent of that impact on the bottom line.

Retail Brief Africa 16/05/24

Shoprite

Delivering the goods

Upping its delivery game this week is Checkers, which is beta testing its evolved Sixty60 app in and around Cape Town, extending the same-day delivery service to a 10,000-strong range of larger general merchandise items, from camping and outdoor gear to small appliances, baby products, toys, kitchen and home electronics, gardening and pool equipment. "We're confident that the next iteration of Sixty60 will again disrupt online retail in South Africa," says Group Chief of Strategy and Innovation Neil Schreuder. The Sixty60 service saw a +63.1% increase in sales in the latter half of 2023 and rollout of the new app to the rest of the country will follow a phased approach. In other Sixty60 news, the business is planning on rolling out the delivery service to its Shoprite customers, starting with a trial in Shoprite Jabulani Mall, Soweto. The idea is to serve customers in areas that Checkers Sixty60 currently does not reach.

Comment: Shrewd on the GM front. Shoprite has no apparent interest in taking on Amazon and Takealot directly. But will not allow either of them to chip away at its GM sales either.

Supermarket & Retailer 17/05/24

In Brief

Upping the steaks

In news that may well send a chill down the spines of SA's major supermarkets, **Takealot** owners Naspers and Prosus have a new CEO with some skin in the grocery game. Fabricio Bloisi acquired Brazil's iFood in 2023 when it was a 20-person start-up; it's since grown to become that burgeoning economy's leading food delivery company. "Backing exceptional entrepreneurs who improve people's everyday lives through technology has brought us some success over the years," says group Chairman Koos Bekker with characteristic understatement. Moving on, **Woolworths'** WCafé Waterstone in Somerset West has become the first in the country to offer a separate dinner and dessert menu, with a liquor licence noga. No word yet on whether this signals a national rollout. Finally – a check-in on **SPAR's** private brand meat offering, which they're talking up at the moment. They have four lines: Tender & Tasty value-added fresh meat cuts that are seasoned and ready to go; The SPAR Steak Co., which speaks for itself; the restaurant-quality, store-packaged Your Butcher by SPAR range; and Country Value for shoppers on a tighter budget.

Comment: SPAR has long been a leader in private brands. The care that goes into its butchery section is testament to this.

Tatler Reporter 22/05/24

International Retailers

Aisle have what she's having

TikTok has come for salad at last, with the perpetually hysterical users of the platform now posting pics of their green and healthy creations daily. Enter **Tesco** with a not-even-slightly cynical attempt to capitalise – a new fixture in the produce aisle, divided into three sections – a 'base' such as a lettuce and pea shoot salad bag, a 'builder' like avocado, and a 'topper' like ranch dressing or sweetcorn salsa, to make a perfect camera-ready salad. Over the pond, in the US, it might surprise you to know, **independent grocery retailers** still have a major role to play in getting the people fed and clean in rural areas, representing around half of food retailers in 44% of counties. And there, as here, they are susceptible to the entrance of the

majority: when a low-cost 'dollar store' enters any market, the independents are 2.3% more likely to close, with sales down -5.7% and a -3.7% decline in employment.

Comment: Retailers: get on that TikTok salad thing before the tweens move on to marshmallow soup or whatever's next.

Tatler Reporter 22/05/24

MANUFACTURERS AND SERVICE PROVIDERS

Astral Foods

Big fish

An excellent set of interims from Astral Foods this week, with revenue up +4% to R10.36bn, R8.7bn of that from poultry sales. You asked about the operating profit? Let's see, that can't be right, up a massive +461.2% to R550m after last year's loss of R283m, with operating profit margin of a healthy 5.3%. Selling prices were up, with Astral recovering input prices after an extended spell of subsiding increases. And feed prices themselves were down for the period, improving the cost of producing broilers – sales of which were also up for the period. The feed division also saw a big improvement with sales up +24.4% to R4.9bn. Going forward, the business has committed to strengthening the old balance sheet by further reducing debt levels. The business also said this week that it is exploring trialling canned chicken as an alternative and affordable source of protein for cash-strapped South Africans.

Comment: Poultry has the reputation of being cruelly chained to the cycles of nature and international trade. Astral is – perhaps – showing that this need not always be the case.

Business Day 20/05/24

In Brief

A lion of the industry

Congrats to **Unilever**, which has been announced as the 2024 Creative Marketer of the Year at the Cannes Lions International Festival of Creativity. Last year, the business was awarded the Media Lions Grand Prix for its Dove '#TurnYourBack' campaign by Ogilvy. "Unilever is pushing the creative boundaries consistently and continuously across a wide range of brands from different markets, in collaboration with a breadth of agency partners, demonstrating a clear understanding and commitment to the power of creativity as a driver for progress and growth," said Lions CEO Simon Cook. Next, **Sea Harvest** has been given the nod by the Competition Tribunal for the acquisition of the Terrasan subsidiaries that are engaged in the catching, processing and sale of pelagic fish, as well as in the farming, processing and selling of abalone. The acquisition will enable Sea Harvest to add value to and scale its small sardine and anchovy pelagic quota where it currently has a small footprint. And sticking with acquisitions, Varun Beverages of New Delhi has recently acquired **BevCo**, bottler of all PepsiCo-branded non-alcoholic beverages in South Africa, along with its wholly owned subsidiaries, in a landmark deal valued at almost R3bn.

Comment: A vote of confidence in the PepsiCo business, and indeed in SA as a still-viable investment destination.

Tatler Reporter 22/05/24

TRADING ENVIRONMENT

Retail Trade Sales

Hey big spender

Retail trade sales are where the pedal of the economy hits the metal of our own great industry, and for the month of March, it hit harder than expected, growing by +2.3% YoY, after a -0.7% decline in February. The big earners were general dealers, up +6.4% and contributing 2.8 percentage points to the haul, followed by household furniture, appliances and equipment (up +3.2%) and the FMCG sector, represented as food, beverages and tobacco at +1.6%. There's more than one way of slicing the numbers though: the latest NIQ South Africa's State of the Retail Nation report reveals that South African consumers spent 7.3% more in the first quarter of 2024 YoY, for a total of R112bn, with ambient foods (including rice, sugar and UHT milk), soft drinks, beer and frozen meat among the biggest contributors to this growth.

Comment: The South African shopper: often down, never out.

Tatler Reporter 22/05/24

THE WEEKLY GURU

"I don't think I've ever met a salad I didn't like."

Linda Sunshine

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