

Trade Tatler

NEWS FROM THE CONSUMER GOODS INDUSTRY – FRESH EVERY WEEK

06 June 2024

Is it too dramatic of us to say that our country sits on a knife edge as we await the outcomes of whatever coalition discussions are going on? Yes, it is. We're South Africans. Somehow, we're going about our daily business, serving customers, building brands, and hoping that out of last week's historic elections we're going to build something better – like Pick n Pay and Tiger Brands are trying to do, to name just two of the businesses covered below. Enjoy the read.

YOUR NUMBERS THIS WEEK

+11.1%

growth in
Dis-Chem revenue
for the year through
Feb

+20%

increase in
topline growth
at **Food Lover's
Market**

-20%

drop in **HEPS**
expected at **Woolies**
for the year through
Jun

1/5

of **Tiger Brand's**
3,000 SKUs to be
cut

R156m

paid by **Dis-Chem**
for a half share of
fintech outfit
OneSpark

144m

shoppers have
organs, oops, **data**
harvested weekly by
Walmart

RETAILERS AND WHOLESALERS

Dis-Chem

Dis-Ciplined, Dis-Cerning...

Those Dis-Chem results you were asking about... revenue for the year through February was up +11.1% to R36.3bn, all well and good, but profit after tax was down a touch to R1.02bn from R1.03bn last year, due in part to retail expenses climbing +11% as the business invested in new stores and other acquisitions, paid for diesel like everyone else, rolled out new point of sale systems in some of its stores, and increased the advertising budget. On the upside, group revenue was up +11.4% for the three months through May, indicating that some of this investment might already be paying off. And the wholesale business is going gangbusters, with revenue up +13.3%, a fair chunk of that to Dis-Chem's own stores, but some also to TLC franchise stores. The Group opened or bought 15 retail pharmacy stores, for a total haul of 273, and 54 retail baby stores.

Comment: A business with the confidence to invest in future growth at the expense of immediate reward, even when times are tough. For more on those results, [read our handy summary here](#).

Business Day 02/06/24

Pick n Pay

Picking up the pieces

Last week we reported on those worrying Pick n Pay results but did note that Sean Summers has a plan. A bit more on that: one of the six legs of the turnaround strategy is 'Leadership and People' – but looking at the rest of the strategy, most of the other components seem to have a bit of this too. Every operating region now has a regional buying team and store management team in place, and they're increasing staff training and productivity for an overall improved store experience. To drive sales, stores will improve customer service with strengthened store management teams and staff training, including using multi-skilling to redeploy staff to customer-facing roles during busier operational periods. To improve their relationships with franchisees and drive sales in those stores, they will conduct regular engagement and training with staff to deliver on the plan successfully.

Comment: Customer service is the heart of any exceptional retail experience. The new ground-up approach to bringing shoppers back to this icon of SA retail is promising.

BizCommunity 27/05/24

Food Lover's Market

Private label

Food Lover's Market is privately owned, in part by the founding Coppin family and in part, as far as we know, by emerging market investor Actis, which invested R760m in the business back in 2015. Either way, the business keeps its finances close to its chest, so the occasion of a new store opening is as good a time as any to take a quick peek under the hood. Thus it was on the opening of the new R58m Food Lover's Market at Castle Gate Lifestyle Centre in Pretoria, at which CEO Brian Coppin revealed that the business had achieved topline growth of +20% and increased its profit by around +50% in the last year. There are 82 Food Lover's Market stores currently trading around the Beloved Country, with another three or four set to open this year. New stores, says Coppin, will be characterised by "animatronics, digital screens, wider aisles for easier shopping, departments designed as dedicated destinations and energy efficiency".

Comment: As the business grows, might it be that a listing is in the wind?

News 24 03/06/24

In Brief

Shiny HEPpy people

Woolworths is looking into its crystal ball for its latest trading update and it doesn't look great, as the business anticipates a -20% drop in HEPS for the 53 weeks through June, after the disposal of David Jones in Australia, and on a disappointing performance in the clothing business and declining footfall and sales in both SA and Aus. Food remains good, however. It has promised a further trading update ahead of its official results announcement around end Aug. Moving on, big up to the **Shoprite** Group, which opened five stores in the same location in a single day – a **Checkers** supermarket, **Checkers Outdoor**, **Petshop Science**, **Liquorshop** and standalone **Medirite Plus** – at the Paardevlei Centre in Somerset West, Cape Town. A glimpse into the strategy and a testament to the current capacity of the business to get things done. Finally, **Dis-Chem** has bought half of OneSpark, an innovative technology and AI-driven financial services business specialising in life insurance products, for just under R156m, in its ongoing drive to expand operations beyond pharmaceuticals and chemists.

Comment: “How will they compete with Clicks?” everyone asked when Dis-Chem made its move. Turns out that was the wrong question altogether.

Tatler Reporter 04/06/24

International Retailers

Minority Report

We have long suspected that the internet knows not just what we'd like to purchase, but also exactly when we're likely to pull the trigger on that handsome pair of brown leather Stan Smiths we've been browsing for – before we even know it ourselves. Confirming our suspicions this week: **Walmart**, which has announced that it is using software in its Walmart Luminare to track not just what shoppers are buying but also what they're *thinking* of buying, based on their browsing history. “By analyzing daily engagement trends and tracking sources that are driving traffic – from searches on Walmart.com and the Walmart mobile app to external search engines, social platforms and more – suppliers can better allocate their resources to help boost reach and improve the effectiveness of their campaigns,” explains Walmart spokesperson Lea Ciskowsk helpfully for suppliers who might be lining up to buy the data, which is drawn from 144 million online and in-store shoppers weekly.

Comment: Is there a world in which consumers can take back control or ownership over even some of their data? We can dream.

Inc.com 05/06/24

MANUFACTURERS AND SERVICE PROVIDERS

Tiger Brands

Tjaart of letting go

Tiger Brands, which posted a so-so set of interims last week, is planning a major rejig of its portfolio over the next few years, cutting as many as 20% of its SKUs to improve efficiencies across its factories with a focus on manufacturing the variants and pack sizes that fly off the shelf while ditching those that don't. Tiger currently has around 3,000 SKUs across the business, an unwieldy number. What would that mean for efficiencies? “You've got less products put through the processing line, so you've got more, longer runs of the ... better sellers,” says CEO Tjaart Kruger. “You've also got less stock to keep, you've got less raw material stock to keep, you'll have less finished good stock. So, you'll have a much more efficient business and your cost base will improve.” It will also allow the business to provide more marketing support for lines that offer more bang for buck, with a focus on products and brands where it is already a big player or market leader. The business is also focusing on turning around the bakery business, sorting out maintenance issues and even closing some underperforming plants.

Comment: A strong and no doubt welcome message to punters, and a good hard-times strategy to set the business up for future success.

News 24 28/05/24

In Brief

What's your poison?

Shortly before South Africa's cannabis aficionados were deciding whether to vote last week President Ramaphosa signed into law the Cannabis for Private Purposes Act (CfPPA), which regulates and eases the limitations on the cultivation, possession, and use of cannabis by adults in a private setting, to support the industrial growth of the cannabis sector, while prohibiting illicit dealing in the popular shrub. Next, **British American Tobacco**, purveyors of that other sought-after stimulant, have somewhat counter-intuitively called for a regulatory framework in South Africa that encourages adult smokers to switch to smokeless alternatives and that facilitates the robust prevention of underage access. Next in the world of legal pick-me-ups, **Nescafé** has launched a new product for those who like their coffee short, dark and chilled. Nescafé Espresso Concentrate is aimed at bringing the out-of-home cold coffee trend in-home. Finally, congrats to **Soul Barrel** for their Ale of Origin, winner of the Best Beer In Africa at the recent African Beer Cup in Cape Town.

Comment: And with that, we've pretty much covered most of our guilty pleasures.

Tatler Reporter 04/06/24

TRADING ENVIRONMENT

Employment

A card act to follow

Card device penetration is growing in South Africa, and this is changing the behaviour of shoppers in townships and rural and peri-urban areas, according to prepaid value-added services (VAS) and card-acquiring outfit Kazang, which is part of Lesaka Technologies. According to the Lesaka Informal Economy Digitalisation Index, card-based transactions went from 0% to 42% of Kazang's R2bn per month transaction volumes from 2021 to 2023. At the same time, easy-to-open bank accounts and SASSA debit cards have proliferated, leading to massive progress in the digitalisation of the informal sector. “This trend is creating significant spinoffs in driving inclusion and economic growth in communities that were traditionally outside the financial mainstream,” says Kazang CEO Martin Wright. Kazang operates a network of approximately 90,000 value-added services (VAS) devices processing around three million transactions daily; around 50,000 of the terminals can take card payments.

Comment: The last mile of the inclusion of the informal economy into the economic mainstream. Excellent news.

Tatler Reporter 31/05/24

THE WEEKLY GURU

“Data are becoming the new raw material of business.”

Craig Mundie

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