



08 August 2024

This week in your Tatler: the informal trade embraces technology, and Tiger Brands continues to embrace the informal trade. Some not-so-hot numbers from Woolies and Mondi, but Premier adds things up nicely. Boxer squares up to Shoprite with the power of a mighty brand and a history of community service behind it, and Eskom keeps the lights on. And of course, wishing you all, but especially our brave and resilient South African women, a happy Women’s Day tomorrow. Enjoy the read.

## YOUR NUMBERS THIS WEEK

<b>477</b>	<b>±30%</b>	<b>65,000</b>	<b>71,000</b>	<b>22.4%</b>	<b>4</b>
<b>Boxer stores</b> trading at end Feb 2024	drop in <b>Woolies</b> HEPS	ave <b>sqm</b> of <b>Walmart’s</b> new DCs	stores reached in <b>Tiger Brands’</b> RTM strategy	ROIC at <b>Premier</b> <b>Group</b>	<b>months</b> of no <b>load</b> <b>shedding</b>

## RETAILERS AND WHOLESALERS

### Informal Retail

#### Informally speaking

After lagging their formal counterparts for decades, South Africa’s informal and independent traders have begun quite rapidly to embrace the convenience and security of cashless transactions. Says Martin Wright, CEO of prepaid value-added services (VAS) and card acquiring outfit Kazang, “Monthly rental costs and high transaction fees are no longer a barrier to card acceptance for even the smallest informal retailers.” He says that informal merchants are embracing card acceptance because it allows them to reduce cash deposit fees as well as the dangers of becoming victims of cash crime. As the reach of digital and e-commerce expands, WhatsApp is emerging as a key tool for innovation: midi-wholesalers and quick-service restaurants (QSRs), for example are utilising WhatsApp for product ordering and delivery. Despite these advancements, cash remains the predominant payment method, and a major means of distributing resources in the township economy.

**Comment:** For an in-depth exploration of the South African spaza trade, traditional markets, and informal retail, [read our article here](#) and then dive into Trade Intelligence’s 2024/2025 [Informal Retail Channel Report here](#). Oh, and don’t forget to register for our **free webinar** while you’re there too.

Tatler Reporter 29/07/24

### Boxer

#### Squaring up

At the end of February 2024, Boxer Superstores had 477 stores trading, with another +91 net new stores over FY2025 and FY2026 needed if it is to reach its target of opening 200 stores between FY2022 and FY2026. Boxer has long been the jewel in Pick n Pay’s slightly tarnished crown, and much interest has attended its forthcoming listing on the JSE. But now that the organically grown and about-to-be-listed phenomenon has put its head above the parapet, it is entering a more aggressively competitive landscape, notably with the Shoprite juggernaut and its Usave brand. “[Consumers are] served by a number of strong formal food and grocery retailers, alongside smaller informal players, with competition primarily focused on price and value to support consumers in a difficult economy,” says Boxer. The Shoprite Group currently has 453 Usave stores, including Usave eKasi container stores, and 628 trading under the Shoprite brand. However, while Usave reached 6.5% of household grocery shoppers over 2023, Boxer reached 27.3% despite having two-thirds of Usave’s number of stores.

**Comment:** The challenge – and perhaps the opportunity – will be for Boxer to leverage its loyal shopper base and community initiatives while beefing up the already iconic brand and continuing to offer competitive pricing and popular services such as social grants payments to stem the red tide.

News 24 29/07/24

### In Brief

#### HEP cats

A trading update from **Woolies**, which warns that HEPS will likely come 27% to 32% lower for the 53 weeks through June, as Group turnover grew a modest +6.2% – this due to the higher cost of living and higher interest rates dragging on consumer confidence and discretionary spending. Something called a “reassessment of the carrying value of the Politix business in Country Road Group

resulted in a non-cash impairment of goodwill” apparently didn’t help either. Moving on, **Dis-Chem** is discovering some of the downsides to being a publicly-listed company – like being questioned at one’s AGM about the representativity of the Board, which currently has no black members. The business also has only 14.2% of its senior management positions occupied by Black South Africans, against a national average of just over 21%, and zero at the top management level, noted a disgruntled shareholder in a letter.

**Comment:** Dis-Chem has struggled recently with some of the challenges faced by a family business transitioning to the big leagues.  
Tatler Reporter 06/08/24

## International Retailers

### Over there, they call it “Le Corn Syrup”

In July, **Walmart** announced that it would be opening five massive new DCs to assist with its ongoing move to dominate grocery retail in the US and beyond. The new facilities will have twice the capacity of its current DCs, and Walmart predicts that more than half of its product will move through these locations by 2026. Each DC will average 700,000 square feet (that’s 65,000m<sup>2</sup> to us, and rather average in size when compared to some of our DCs) and will be equipped with software programmed to automate inventory tasks with increased accuracy. Moving on to Olympic news, fancy Parisian grocer **La Grande Épicerie** is under scrutiny (from Americans themselves) for its selection of US ‘delicacies’, which include Reese’s peanut butter chocolate products, marshmallow fluff, two varieties of corn syrup, six types of microwave popcorn, sour candy, instant mac and cheese, jars of hot-dog sausages, and Hershey’s cookies and cream bars, none of which represent the culinary best of what the vast and diverse States has to offer.

**Comment:** Although right now, we’re hard-pressed to think of better examples.

Tatler Reporter 07/08/24

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Tiger Brands

#### Trade routes

Around this time last year, Tiger Brands announced a route-to-market strategy to increase the presence of its products in the general trade, including informal and independent township stores. How’s that going? Initially, the Stripe One had targeted 130,000 stores over the next five years. It’s already in 71,000 of those, up from 50,000 at the end of 2023 and it expects to hit 90,000 by the end of the year. Since launching the strategy, the distribution and availability of Tiger Brands products in target stores has increased by more than 90%. The business is working with retailers to create ‘Perfect Outlets’ through investments in POS marketing across Tiger Brands products and providing branded coolers for their ready-to-drink beverages. “We see significant opportunity to grow in the township market by offering consumers affordable quality products that are trusted, sought-after and meet the needs of consumers,” says Chief Customer Officer Luigi Ferrini. As part of the push, Tiger Brands is also offering business solutions to mini- and midi-wholesalers and store owners.

**Comment:** Powerful, relevant, visionary, proactive. Excellent work from a great South African business.

Retail Brief Africa 29/07/24

### In Brief

#### Paper tiger

At the recent **Pick n Pay** Small Suppliers Awards, the coveted Turnaround Business of the Year prize went to Jake-Mat of Midrand, a supplier of tissues and detergents, for their remarkable business improvement. Moving on, paper and packaging giant **Mondi** has let it be known that Group revenue fell -4% to R73.6bn, with headline earnings down -58.4% to R3.8bn for the six months through June, on lower average selling prices, and higher staffing and operating costs. They do see signs of improvement though. Finally, sticking with numbers, the **Premier Group** last week published its annual report, in which it promised to invest R1.4bn over the next two years to maintain efficiencies at its plants, as part of its growth strategy.

**Comment:** It’s probably a safe bet; the business also reported a 22.4% return on invested capital and a 30.9% return on equity during the financial year.

Tatler Reporter 06/08/24

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## TRADING ENVIRONMENT

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### Electricity

#### Who are you, and what have you done with our national power utility?

What’s up with Eskom, you ask, and well you might. The lights have been on since 5am on the 26th of March, that’s four months and counting, with no post-election return to regular service as predicted. This quiet return to normality began with the launch of the Energy Action Plan in July 2022 and the appointment of Kgosientsho Ramokgopa, as our first electricity minister, continued with the declaration of the Generation Operational Recovery Plan to increase the amount of power to 70% of the network’s potential, and seemingly keeps going, with the replacement of some of Eskom’s leadership with competent and honest technical and financial people. Last year’s R254bn debt-relief package didn’t hurt either, or the massive increase in solar and battery energy storage systems.

**Comment:** Sometimes we miss those nights when the family would gather to play pick-up sticks by the light of a single sputtering candle. Sometimes.

BBC 07/08/24

## THE WEEKLY GURU

“How far that little candle throws its beams! So shines a good deed in a naughty world.”

William Shakespeare

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