

11 July 2024

An interesting week in this great industry we call home, as Sean Summers articulates his vision for Pick n Pay, Woolies struggles to rid itself of the ghost of David Jones, the informal sector flexes its muscles, and a new Minister of Agriculture takes the reins in one of South Africa's most important and challenging economic sectors. Enjoy the read.

YOUR NUMBERS THIS WEEK

R21bn

what Woolies shouldn't have spent

80%

the % of **stock Takealot** expects sellers to keep at DC

R4bn

PnP rights offer approved by shareholders

R500m

disbursed by **SAB's LIVE Sharp** programme

R750bn

estimated value of SA's informal sector

8%

contrib. of **agriculture** and processing to **GDP**

RETAILERS AND WHOLESALERS

Woolworths

Death, taxes, and David Jones

Like the albatross hung around the neck of the Ancient Mariner, the David Jones entanglement continues to haunt Woolworths, both coming and going. Its ownership of the troubled Australian retailer was unprofitable and unpopular; its disposal of the failing asset has been protracted, and now, it turns out, the initial acquisition was irregular in the eyes of SARS. Woolies funded the R21bn deal through a combo of existing cash, new debt facilities and equity funding raised by a rights offer. An equity bridge facility (something we pretend to understand only dimly) was to be repaid with the proceeds of the rights offer. Woolies was advised by its tax people that it could claim input tax on certain amounts paid in relation to the acquisition and submitted its VAT returns accordingly. SARS disputed the resulting deductions, and the tax court found in favour of Woolies. Now SARS has gone to the Supreme Court of Appeal, which will hear the matter later this year.

Comment: Australia is the graveyard of the wild entrepreneurial enthusiasms of otherwise sensibly managed South African businesses.

Business Day 04/07/24

Pick n Pay

The Second Summer of Sean

The retirement of Whitey Basson, the warrior-poet of retail, and a reliable source of pithy and revealing quotations, left a massive gap in this great industry we call home. Pick n Pay's Sean Summers has put his hand up as a strong contender for the role, saying the unthinkable and revealing the visions he saw during his years in the wilderness.

On People: "The things that make the companies get their North Star are not purely by what is in a number but by actually putting in long-term real strengths that keep companies sustainable for the long term. The only way to achieve that is by genuinely and sincerely putting back into your people more than you want out, it's not a commercial transaction."

On Spreading the Message: "If we have a look at where we were before, we had a national marketing team who sat in Cape Town with scant regard for the geographic exigencies in the rest of the regions. Now we have more national input and targeted marketing which has already seen an improvement in the recent sales."

On Beauty: "When closing or repurposing stores, we may get a little bit smaller in the beginning now as we become more beautiful again."

On History: "We need to be upfront about our shortcomings and if we've let our customers down in some areas and need to excavate the basic principles on which Pick n Pay was built."

Comment: If it works, Summers 2.0 is shaping up to be something quite remarkable.

BizCommunity 08/07/24

In Brief

Take a breather

To boost sales and speed up delivery times, Amazon competitor **Takealot** has increased to around 80% the portion of seller's products that need to be held in stock at both of its main DCs. Products not held at a DC don't get the "in stock" label and have a longer delivery time, making them less likely to sell. Many vendors have noted that this requirement is onerous, particularly where a product may enjoy greater demand in one region than in another. Moving on, **Pick n Pay** is going ahead with the R4bn rights offer it is using to reduce debt and finance its recovery strategy after the necessary permissions were received from shareholders at the extraordinary general meeting in late June. Finally, logistics service provider **City Logistics** reports that demand for its warehouse space has grown 84.7% at some of its rural KZN hubs, driven by large, established retailers looking to serve the rural and informal markets. According to sector guru GG Alcock, South Africa's informal economy is worth around R750bn per annum, with retail growing at twice the rate of formal counterparts.

Comment: It is to be hoped that formal sector players will strengthen the informal retail sector, rather than seeking to displace it. Look out for our very own report on the Informal Retail Channel being released soon – more on that next week.

Tatler Reporter 03/07/24

International Retailers

Something old, something new

Shopper loyalty, as we have recently reported, may no longer be taken for granted by either brands or retailers. Globally, what are the latter doing to win it back? They are leveraging technology and merchandising innovations to improve the in-store experience for customers, even as they reduce staff overheads. Some of these changes are almost quaint in their old-school common sense: in the US, both **Walmart** and **Food Lion** have seen sales increase after improving the display and quality of their fresh produce. Others are engaging the shopper in store on their mobile devices, allowing them to download mobile coupons while shopping, and to receive more personalised offers. **Walmart** are using AI to more aggressively push shoppers to purchase, by reminding them of items that might need replenishing or suggesting alternative products they might like to buy. Navigability, whether through in-store kiosks or electronic shelf labelling (introduced in the early 00s but only now coming of age) is also critical. And smaller formats, where punters may shop on a more human scale, seem to bring shoppers back to the same location with greater predictability.

Comment: In retail, it often seems, there is nothing new under the sun; only the delivery method changes.

Supermarket News 02/07/24

MANUFACTURERS AND SERVICE PROVIDERS

SAB

Sharper image

All liquor businesses have to walk a fine line between providing something people really want and reducing the potentially harmful impacts of their products on people's lives. SAB has chosen as its vehicle for these endeavours SAB Sharp, a platform dedicated to fostering a culture of responsibility in South African communities. SAB Sharp is an evidence-based initiative designed to support communities in living, driving, talking, and selling Sharp. "This platform is integrated into our business strategy and operations, reinforcing our ambition to grow the beer category responsibly," says Corporate Affairs VP Zoleka Lisa. LIVE Sharp, for example, empowers responsible communities by creating an enabling environment for job creation and ultimately driving economic inclusion. Through the SAB Foundation, LIVE Sharp has disbursed over R500m, supported more than 6,422 entities, created over 10,000 new jobs, and sustained over 5,000 jobs to date.

Comment: All businesses do some harm. Responsible businesses attempt to balance the harm by investing proportionally in programmes like this.

News 24 28/06/24

In Brief

Premier takes the biscuit

Huge congrats to returnee Andrea Quaye, who takes up the reins as Marketing Director for **Heineken** Beverages, after a stint as global VP for the Coffee Category at The Coca-Cola Company in Dublin. "With Andrea at the helm of our marketing team, we are poised to further strengthen our brand presence and connect even more deeply with our consumers," says MD Jordi Borrut. Moving on, or not in this case, the acquisition of Kings Rest Container Park (KRCP) by United Container Depots (UCD), a **Grindrod** subsidiary, has been awarded the stern wagging finger by the Competition Commission, which has determined that the move would eliminate a major competitor in the market for empty container storage services in Durban, with a ripple effect on the logistics value chain. Next, Mandela Month projects are kicking into gear at various FMCG businesses. **Sea Harvest**, for example, has launched the #BucketsofNutrition Challenge, which mobilises communities to pack buckets filled with essential, non-perishable food items for families in need, while **RCL FOODS'** Do More Foundation will bring together business partners and volunteers to create areas for imaginative and sensory play, reading corners, sandpits, bike tracks, and gardens at their 192 Early Childhood Development (ECD) centres around the Beloved Country. Finally, Happy 200th B-day to the **Premier Group**, started by Mr AD Taylor of Cape Town, who promised "Hot Rolls every Morning from 8 till 9 o'Clock, and Muffins and Crumpets every Afternoon". Had he stuck around, he would today be the proud overseer of a JSE-listed business with 13 bakeries, 10 mills, and facilities for biscuits, pasta, animal feeds, and maize-based beverages.

Comment: A mighty achievement. We wish them well for the next 200.

Tatler Reporter 03/07/24

TRADING ENVIRONMENT

Agriculture

'n Boer maak 'n plan

To the surprise of voters who saw him as more of an Umhlanga Promenade kind of guy, the DA's John Steenhuisen has taken up the reins as Minister of Agriculture – one portfolio where there wasn't much light between the DA and the ANC. Priorities? As a sector, agriculture accounts for around 3% of GDP, or 8% if you include agro-processing, with the potential to do even better. Some of the urgencies for the office are the registration of all new agrochemicals, seeds and other agricultural products; the use and high costs of private sector inspectors to ensure agricultural products meet set standards; the improvement of animal health as a necessary input for exports; the growth of new and existing export markets, and the improvement of subsector statistics to improve monitoring, evaluation and policy formulation, particularly in smallholder and informal value chains. In addition, the department will work with other portfolios on such critical issues as ports and rail, roads and municipalities, rural crime, and water.

Comment: There is an energy and transparency in this new government that has been lacking. We live in hope.

THE WEEKLY GURU

"To be a farmer you must be an agronomist, a meteorologist, a mechanic, a vet, an entrepreneur, a gambler, a workaholic, a politician, a marksman, a midwife, a tractor driver, a tree surgeon and an insomniac."

Jeremy Clarkson

For further information:
Editorial:
PR and Story Submissions:
Advertising Sales:

www.tradeintelligence.co.za | info@tradeintelligence.co.za
Nick Paul: nick@tradeintelligence.co.za
tatler@tradeintelligence.co.za
info@tradeintelligence.co.za