

Trade Tatler

NEWS FROM THE CONSUMER GOODS INDUSTRY – FRESH EVERY WEEK

20 June 2024

Welcome indeed to a whole new week, where the uncertainty we were facing vis-à-vis the governance of the Beloved Country has now been given a face and several names. The new dispensation is messy, and imperfect, and shows great promise for economic growth and perhaps even social progress, much like South Africa itself. We're onboard, and so are many of the great companies we cover below. Enjoy the read.

YOUR NUMBERS THIS WEEK

4,000

Vivo forecourts
across Africa

R25.3m

loss at Dis-Chem's
OneSpark for the 4
months through April

R1m

per month in
crypto transactions
at Pick n Pay

59k

Walmart+ online
loyalty members

+15.8%

net profit up at
Premier Foods

R17.90

to the dollar on
Wednesday

RETAILERS AND WHOLESALERS

Forecourts

The Mosbolletjie Protocol

Engen, it seems, is out of here like a dirty shirt, with the takeover by Vivo Energy rolling out in earnest. Vivo, as you know, has bought a 74% stake in Engen SA, and it will add the latter's forecourt operations to the 4,000 fuel stations it owns in 28 countries across the African continent. Vivo has committed to spending \$550m on its local network over the next five years, with another \$200m earmarked for marine infrastructure and sustainable and biofuel production. But the real excitement is that in the deal with Engen is something they've called the 'Biltong Clause', whereby they've undertaken to source from South Africa whatever they can of the products they sell in their African c-stores – a significant opportunity for South African brands and manufacturers, whom they've also offered to introduce in person to petrol station owners elsewhere on the continent.

Comment: Speaking of forecourts, Trade Intelligence was in the news about those this week – [have a look here](#).

News 24 13/06/24

Dis-Chem

File under things that make you go 'hmmm'

Follow closely, this one's a bit tricky. A week or so ago, we reported with some admiration that Dis-Chem had acquired a 50% stake in US-based start-up insurance provider, OneSpark, in its efforts to vertically integrate itself into the medical value chain. It turns out that not everybody is as impressed. OneSpark, you see, made a R25.3m loss for the four months through April. And is owned, in part, by Global Capital, which is invested in another fund that holds a range of assets, including a stake in OneSpark. But – here's the thing – among Global Capital's investors are the Dis-Chem's founding family, the Saltzmans, and other Dis-Chem directors. Not a good look for a listed business attempting to be at least nominally independent of its founders' interests. Some believe that in any case, to compete with Clicks, the best thing would be to open stores rather than invest in a life insurance business with founders in common.

Comment: It may be that this is all above board. But from a PR perspective at least, it's an own goal.

Financial Mail 13/06/24

In Brief

A bit of this, a bit of that

Sad news from **West Pack Lifestyle**, an independent retailer that owns 52 stores across South Africa, Lesotho, eSwatini, and Namibia, and that has this month voluntarily initiated business rescue proceedings, having pursued an accelerated growth path in a less-than-ideal business environment. Next, **Checkers'** Outdoor brand is neither an afterthought nor yet a flash in the pan, it seems, with the opening of its 21st store and its first in the Eastern Cape, in the Moffett on Main Lifestyle Centre in Gqeberha. The chain appeals to weekend warriors looking for quality gear, gadgets and essentials, cashing in on the Shoprite Group's purchasing power in general merchandise to provide excellent value. Moving on, speaking of puzzling but effective differentiators, **Pick n Pay's** cryptocurrency payments system, which allows shoppers to pay in Bitcoin for groceries, data, airtime, and municipal bills, has now hit a R1m a month in revenue. "For years, crypto was something only computer boffins knew about, but Pick n Pay has paved the way for our shoppers to be early adopters in using their digital currency as a method of everyday payment," says head of value-added services Deven Moodley.

Comment: Smart brand extensions by the majors.

Tatler Reporter 20/06/24

International Retailers

Food for thought

It's a business model that probably has a fairly low growth ceiling, but kudos for trying to the District 10 Community Market in San Francisco, which allows qualified lower-income shoppers to stock up on household necessities without paying a cent. The Bayview neighbourhood in which the store is located is a 'food desert', poorly provided with grocers. The store is a joint project of the San Francisco Human Services Agency and Bayview Senior Services, who view it as a way to hand out food with dignity to families in need. Next: **Amazon Prime**, launched in 2005, has an estimated 180 million members, a big problem for rival **Walmart**, which launched its own Walmart+ programme in response, only in 2020, but already has 59 million members, many of whom are signed up for free via their existing credit cards. And Walmart is working gamely to convert those memberships into sales. Finally, nice one from **Aldi UK**, which is incorporating a minimum of 35% recycled content in the packaging of its Specially Selected Hand Cooked crisps.

Comment: Retail, as perhaps our most shared commercial space, has a powerful role to play in affording dignity to the poorest among us.

MANUFACTURERS AND SERVICE PROVIDERS

Premier Foods

Top-notch

Let's have a gander at those results from Premier Foods for the year through March. Revenue grew a relatively coy +3.6% to R18.6bn, but operating profit was up over +25%, with net profit at +15.8% to the good. How did they manage that, in this economy, for goodness' sake? Through "an unrelenting focus on optimising operational efficiencies, margin management and upskilling its people", their words, not ours. The analysts huff approvingly about Premier's investment in mega bakeries, about its ability to generate cash, and the number of cylinders upon which the business was firing, namely, all of them. Indeed, the Millbake division, despite a modest +3.7% increase in revenue to R15.5bn, saw core profit up +20.6% to R2bn. In the Groceries and International division, returns were more muted, with core profit up +3.7% to R214m.

Comment: Superb work from a classic South African business that understands the degree of discipline it takes to succeed in this market.

Fin 24 11/06/24

In Brief

To the barricades!

AVI subsidiary **National Brands** has successfully protected the trademark of its venerable **Frisco** brand – on South African shelves since 1967 – against similar use by an upstart outfit cheekily called Frisco Projects, at the Companies Tribunal. Last year, you will recall, AVI was successful in a similar suit involving its **Salticrax** brand and a **Cape Cookies** competitor cheekily calling itself Snackcrax. Moving on, in Bangladesh, an ad by **Coca-Cola** aimed at dispelling the "misinformation" that Coca-Cola is an Israeli product has received a barrage of social media criticism for its pains. "If cringe-fest has a literal face, it would be this ad," says student Jumanah Parisa. Coke has seen sales decline in some Muslim-majority countries in response to the persistent myth. Finally, congrats to **RFG Foods'** iconic **Bull Brand** which in the space of a year has launched four new variants – Bolognaise Mince, Chilli Mince, Savoury Mince, and Curried Mince, all aimed at punters looking for tasty and affordable protein.

Comment: Is there another country where beloved consumer brands are as embedded in the national culture? Perhaps, but ours certainly run deep.

Tatler Reporter 18/06/24

TRADING ENVIRONMENT

The Economy

Good GNUs

The question on everyone's lips is, "What now?" Now that we have a Government of National Unity (GNU), what does it mean for the economy? So far, the punters have responded favourably – the JSE has rallied to a one-month high on expectations that the new patchwork regime might work with the private sector to improve freight, electricity supply and crime prevention, and draw stronger links between economic growth and rule of law. And the rand has in recent days firmed to better than R18 to the dollar. This, says analysts, could improve sentiment around inflation, which could in turn see the Reserve Bank cut the lending rate before the end of the year – perhaps even twice. And while it's way too early to talk about our credit rating, US investment banker JPMorgan has upgraded our outlook from underweight to overweight, saying that "the tie-up between the five parties in the GNU could bring large offshore inflows into SA assets in the near term".

Comment: No silver bullet, obviously. But this is the most positive concentration of economic news we've been able to report in a long time.

Business Day 19/06/24

THE WEEKLY GURU

"The formation of a government of national unity is a moment of profound significance. It is the beginning of a new era."

President Cyril Ramaphosa

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