

# Trade Tatler

NEWS FROM THE CONSUMER GOOD INDUSTRY – FRESH EVERY WEEK

25 January 2024

Some more info this week on how last year's disastrous SAP implementation has impacted SPAR, plus Allan Gray bets big on Pick n Pay. Makro shoppers are buoyant, while South African consumers face the reality of a tough economy. And discounters score in the UK as the cost-of-living crisis bites. Enjoy the read.

## YOUR NUMBERS THIS WEEK

**3-5%**

decline in *sales* from **SPAR's** KZN DC post SAP-implementation

**+11.8%**

YOY increase in **Clicks retail sales** for 20 weeks to mid-Jan

**81%**

of surveyed **Makro** shoppers express a **positive outlook** for 2024

**10%**

of **Pick n Pay shares** now held by **Alan Gray**

**-6.8%**

**drop in private sector salaries** vs pre-pandemic

**+20%**

**food price increase** in the UK over last 24 months

## RETAILERS AND WHOLESALERS

### SPAR

#### You gotta have faith

According to SPAR, the disastrous SAP rollout in its KZN DC, which cost the business R1.6bn in the last FY, is rapidly receding in the rearview. According to some of SPAR's retail customers, not so much. The system is still sending retailers stock-out notices, forcing them to buy elsewhere, and some of them expect the issue to take up to two years to fully resolve – currently in-store Sigma systems are not communicating too well with the DC's SAP platform. This has cost SPAR a chunk of revenue, although the Group has pegged this at just 3-5% of pre-SAP turnover, and perhaps put the idea in retailers' heads that they can shop around rather than go to SPAR for 90% of their products. However, on the upside, retailers have expressed confidence that if anyone can get things moving in the right direction, it's new(ish) CEO Angelo Swartz. "We have got a lot of faith in him," says one. "We are sure he will turn things around."

**Comment:** SAP implementations eh. Hate them or ignore them, you can't love them.

[Business Day 21/01/24](#)

### Clicks

#### The beautiful game

A trading update from Clicks, well ahead of its forthcoming interims. Retail sales, including Clicks, The Body Shop and Sorbet, were up +11.8% YOY in the first 20 weeks through mid-January. And like-store sales were up +8.4%, against internal inflation of +7.5%. And within that, there's even better news, according to CEO Bertina Engelbrecht – the business enjoyed its best-ever trading day on Friday 22 December, with the week before Christmas setting new records for SA's predominant health and beauty chain. There was robust growth over the reviewed period in personal care, beauty and everyday essentials such as confectionery and cleaning products, supported by strong sales of private and exclusive brands. On the downside, wholesale turnover diminished -0.8% at UPD, due mainly to the impact of the systems transition at the main DC in the early stages of FY24.

**Comment:** There is a global TikTok-inspired rush of younger teens to both health and beauty products. It's possible that Clicks is benefiting from this trend.

[Tatler Reporter 24/01/24](#)

### In Brief

#### Cash me outside

A new year survey from **Makro**, who reports that "81% of respondents expressed a positive outlook for 2024, with individuals aged 50 and above highlighting the importance of having the necessary tools or products for feeling well-prepared for the New Year." Your old Dad is right, you really need to get a set of jumper leads for the Golf. Makro also notes that 65% and 56% respectively view groceries and stationery items as essential in prepping for the new year. And speaking of surveys, have a look at the results of the one we did recently with Chirp about [the appetite of South African consumers for cashless retail](#). **Woolies W Café** recently announced that it would be joining such businesses as Starbucks, PNA, OK Urban, and Shoprite's UNIQ clothing brand in accepting only cards and what have you, and the ninnies of the internet lost their collective plot over the move, which opens the door for illuminati mind control. Finally, long-term value investor Allan Gray has upped its stake in **Pick n Pay** to more than 10%, which is seen by the market either as a vote of confidence in PnP veteran Sean Summers and his new leadership team, or a sign that the share has bottomed out and the only way is up.

**Comment:** Or, of course, both.

[Tatler Reporter 24/01/24](#)

### International Retailers

#### A Lidl goes a long way

Rival German discounters **Aldi** and **Lidl** won Christmas this year, at least in the UK, which is undergoing a cost-of-living crisis that has seen food prices increase an average of 20% over two years. Lidl's sales rose +12% in the four weeks to Christmas, with an +11% rise in sales of the premium Deluxe own-label foods, and sales of Montaudon Brut champagne doubling. Aldi's sales rose +8% to over £1.5bn in the four weeks to Christmas for the first time, with shoppers slipping 25% more Specially Selected private label gammon joints into their already burgeoning baskets. Both also gained market share in November, picking up punters from **Asda**, **Morrisons**, **Waitrose** and the **Co-op**. Across the Pond, meantime, US retail sales rose a relatively bleak +3.1% between Nov. 1 and Dec. 24, lower than the 3.7% Mastercard forecast and a lot lower than last year's +7.6%, as higher interest rates and inflation put the kibosh on consumer spending.

**Comment:** As the [Trade Intelligence Retail Trends](#) Report reveals, consumers globally are becoming a lot savvier about value and a lot less picky about where they find it.

Tatler Reporter 24/01/25

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Heineken

#### A broken system

Despite having an unconscionable labour surplus, South Africa has not in recent years had the reputation of an environment that is easy on employers, a fact that Heineken, which not so long ago merged with local wine and spirits giant Distell, has found out in pretty short order. Around 50 workers at Heineken Beverages, most of them forklift operators, have taken the company to the CCMA to argue that their flexible contracts with Vericon Outsourcing should be made permanent. Heineken has said it will try to find an amicable resolution to the dispute. The workers allege that when they had asked earlier to be made permanent, Vericon had threatened them with dismissal, forcing them to accept short-term contracts "under duress". When approving the merger between the two businesses, the Competition Tribunal set a limit on retrenchments, and established a requirement of fair wages for all employees, including temporary and outsourced workers.

**Comment:** Labour outsourcing is an endemically South African loophole that re-establishes the balance of power in the favour of employers and the middlemen who serve them.

[Groundup.co.za 19/01/24](#)

### In Brief

#### A bitter pill

In other alcohol-related news (see Heineken, above), **IWSR**, the leader in global beverage alcohol data and insights, have revealed that that no- and low-alcohol consumption across the world's leading 10 no/low markets, which account for approximately 70% of global no/low-alcohol volumes, grew by +5% in volume in 2023, with a global value now of over \$13bn. Younger drinkers account for a disproportionately large percentage of that growth. And finally, at least when it comes to booze, a cold and fizzy welcome to 'Break Free', a gluten-free lager from **Darling Brew**, which also brings to the market non-alcoholic Just Naked Lager, Tjaila Grapefruit Shandy, 'Light Speed' Low Alcohol Lager, and 'Black Mist' Black Ale. Moving on, last week the business rescue practitioners (BRPs) tasked with saving Tongaat Hulett from the worst consequences of its own poor decisions announced that 98.51% of Tongaat's creditors had voted in favour of adopting the Vision Parties rescue plan, by which the business will be acquired by a consortium of companies led by Gijima Group founder Robert Gumede, and which comprises South Africa's Terris Sugar, Guma (Mauritius), Remoggo (Zimbabwe) and Almoiz Industries (Pakistan).

**Comment:** An abject ending for the once-proud colossus of the colonial cane lands of Natal. Hopefully this consortium will handle its responsibilities more seriously.

[Tatler Reporter 24/01/24](#)

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## TRADING ENVIRONMENT

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### Household Spending

#### It's not nothing...

Fintech outfit Altron has released a report that reveals that the overall ability of South African households to take on and service debt improved slightly in the third quarter of 2023, buoyed by a few significant factors, including the rising pay of public servants. Household finances are almost 10% more healthy than they were in the apparently arbitrary first quarter of 2014, which is used as a benchmark, but they were only marginally changed on a year-on-year basis. And some indicators are dreadful: private sector salaries, for example, were -0.7% down for the quarter YOY, and -6.8% down in real terms from the pre-pandemic period. And one of the more gob-smacking findings was that the total value of household credit is less than it was 10 years ago, although household income to debt costs, the worst performing measure, had deteriorated -1.1% on a quarterly basis and almost -17% YoY.

**Comment:** A grim picture that shows the real impact of a worsening economy on consumers and their families.

[News 24 18/01/24](#)

## THE WEEKLY GURU

"Whether you think you can, or you think you can't – you're right."

Henry Ford

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