

# Trade Tatler

NEWS FROM THE CONSUMER GOODS INDUSTRY – FRESH EVERY WEEK

27 June 2024

Not marvellous economic news down below, we're afraid, with retail trade sales dangerously close to flatlining. But some ambitious targets from SPAR, promising news from Tongaat Hulett, hi-tech research from Unilever, and an interesting trend from the USA. Enjoy the read.

## YOUR NUMBERS THIS WEEK

**70%**

SA business' share of revenue targeted by SPAR

**3-5 yrs**

before quantum computing is of commercial use to Unilever

**50**

countries to which Libstar exports food products

**20.7**

the no. of retailers from which the avg. US shopper buys groceries

**-1.1%**

the drop in food retail trade sales YoY for April

**+5.2%**

CPI for April 2024

## RETAILERS AND WHOLESALERS

### SPAR

#### SPARring its way back

SPAR has plans to grow South Africa's contribution to its overall revenue from 60% to 70% over the next five years, according to CEO Angelo Swartz, who believes the way to do this is to move deeper into non-food territory. The retailer, who with Massmart pioneered the move into hardware with its Build it chain, has plans to move into the burgeoning pet business and two other as yet unnamed categories. Clothing? Baby? Outdoor? Not a word. However, Schwartz expects non-food to account for 30% of the business in five years' time, and that it will get at least some of the way there through the acquisition of smaller businesses. It should also cover some ground by generally 'rukking things reg'. "SPAR has grown on the back of exceptionally strong people, but I don't think we've always followed that up with the process," he says. "So setting up the right processes is becoming the safeguard."

**Comment:** Non-food is a burgeoning business, but SPAR has lost its early-move advantage here. It will be interesting to see if it finds some uncontested space to call its own.

Daily Investor 21/06/24

### Massmart

#### Platform 9 ¾

Vendors on Makro's interim marketplace platform are disgruntled, complaining on Facebook – the Alexandria Library of Online Complaints – about glitches and a lack of features. Suppliers using the new platform, launched in May, complain of orders randomly getting cancelled, being unable to view sales history, and missing product listings. Massmart is on it. "We are very focused on resolving these issues and are in close contact with our sellers to whom we are providing regular updates," says corporate affairs head Brian Leroni. He notes that Massmart had told vendors the current platform was only a temporary fix, to be replaced by a new feature-rich seller platform at a later stage. In addition to Makro's merchandise, you will recall, the marketplace offers space to third-party suppliers whose products are not stocked in store.

**Comment:** Nasty storm rolling in. Better get the teacup inside.

My Broadband 20/06/24

### In Brief

#### The Kraken awakes

Massmart is partnering with the University of Witwatersrand's Department of Molecular and Cell Biology in sponsoring postgrad research to improve the technique used to extract genetic material from tinned seafood products. "We use genetic identity testing ... as an added precaution to ensure that Massmart is not supplied with red-listed or critically endangered seafood species," explains sustainability manager Viratha Hariram. Moving on, this year's winner of Food Lover's Market's Seeds of Change Supplier Development Partnership is Pure Folk Fermented Foods, a business dedicated to enhancing gut health by allowing things to become fizzy in jars. In a surprise twist, Food Lover's has announced that all of the top ten finalists will be listed as suppliers, thanks to the exceptional quality of their products, businesses and presentations. Finally, while Pick n Pay is no longer under the control of the Ackermans, partially as a nod to shareholders who wanted to see structural change, CEO Sean Summers believes it is far from over for the founding family. "Pick n Pay is inextricably linked to the Ackermans," he says. "For those that have an itch or irritation with the control structures, I say, Pick n Pay without the Ackermans is worse off."

**Comment:** At this point, shareholders are probably more interested in the direction in which Summers himself is taking the business.

Tatler Reporter 25/06/24

### International Retailers

#### To which we can only say "Avast, ye lubbers!"

A slow news week out there in the world, so time to look at trends people with their stark haircuts and clever spectacles are on about. Seems that shoppers across the United States are out there searching for a deal, in what the boffins are calling 'treasure hunting', which frankly is way below the usual standard of the copywriters paid to come up with names for trends. In other words, value-conscious shoppers are now shopping more strategically and buying their goods from multiple grocers, rather than doing all their grocery shopping at one retailer. No real news there for us in the Beloved Country, where this trend has been playing out for some time already. However, when we say multiple in the US, it's a lot, in true American style: from March 2023 to February 2024, consumers bought groceries from an average of 20.7 different retailers, that's +23% up versus

March 2019 to February 2020. Not only that, but punters are making +8% more trips to the store than they did in 2023 while buying fewer products at each shop.

**Comment:** No word on exactly how much they're saving, but they're clearly not doing it for their health.

Money Talks News 18/06/24

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Unilever

#### Rise of the machines

One under-reported aspect of what Unilever does is R&D and one of the ways it is doing that now is through generative AI and high-performance computing. The business is working with partners like Microsoft within its DataLab virtual R&D centre to query scientific information, slashing the time required to perform computational simulations, and running thousands of experiments in the time it usually takes to run just a few. For example – Unilever can use a simulation that predicts an outcome based on a molecule's chemistry, so they can perform a test without getting their lab coats dirty. They can also expedite the complex process of developing ingredient ratios for Unilever formulators. But all this tech is not enough – Le Grand Bleu is also preparing to use quantum computing, which uses uncertainty as a tool to speed up processing – when the tech comes on stream commercially in three to five years.

**Comment:** Truly we live in an age of wonders, which Unilever is harnessing to the cause of innovation and efficiency.

Consumer Goods 20/06/24

### In Brief

#### A bitter harvest

First up, a trading update from **Libstar**, bringer to market of Lancewood Cheese and other food products, which it exports to 50 countries. Revenue for the year to date increased +4.6%, with perishables turnover up +4.4% even as volumes declined -3.3%, indicating that revenue was up mainly due to selling price inflation and mix changes. Ambient revenues grew +5.3%, and gross profit margins across the Group have been maintained steady to a similar period last year. All suitably vague; actual results are due only on 10 September. Next, the Competition Commission has recommended the approval of the acquisition of distressed sugar producer **Tongaat Hulett** by the Vision Consortium made up of Terris Sugar, the Pan-African diversified global business Guma, Mauritian-based investment holding company Remoggo, and Almoiz of Pakistan. Next on deck: the stern men and women of the Competition Tribunal. Finally, congrats to Rakesh Rajbally, newly appointed as MD of **Coca-Cola Beverages South Africa**, via various roles in the business over a career spanning 26 years.

**Comment:** We know that we at least will heave a deep sigh once Tongaat is back up and running.

Tatler Reporter 18/06/24

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## TRADING ENVIRONMENT

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### Retail Trade Sales

#### Traffickers in hearsay and rumours

Word has reached us via forked stick from the bearded sages over at StatsSA, who have decried that retail trade sales increased by +0.6% YoY in April 2024, with the largest contributors to this admittedly modest increase being retailers in pharmaceuticals and medical goods, cosmetics and toiletries, followed by those dealing in household furniture, appliances and equipment. What of our own great sector, you ask? Would that we had better news to report: Food, beverages and tobacco in specialised stores declined -1.1% YoY. Also from StatsSA: annual consumer price inflation was 5.2% in May, unchanged from April, and still within the Reserve Bank's targeted band.

**Comment:** So no retail recession as yet then. But we are skating on fairly thin ice. Send in the GNU!

Business Day 19/06/24

## THE WEEKLY GURU

"If you really look closely, most overnight successes took a long time."

Steve Jobs

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