



18 November 2009

A musically themed Tatler this week, have fun looking out for those Motown and rock 'n roll-themed headlines. If like the other captains of industry out there you're suffering from a slight decline in business confidence, chin up, Xmas is around the corner, and enjoy the read.

## RETAIL &amp; WHOLESALE

**SPAR****Truckin'**

SPAR's turnover increased 19.5% to R32 billions for the year ending September 30, while trading profit was up 25%. But as SPAR point out, it has been a year of two halves – the friendly, buxom first half when inflation was running at 16% and turnover was up 24.5%, and the skinny, mean-spirited second half when it increased only 14.9%, which is actually not too bad in these testing times, and may be attributed in part to the reduced price of petrol. Upgrades to various DCs haven't hurt either, with SPAR dropping R145bar finishing off the KZN perishables outfit and R104 million on the final phase of the South Rand expansion. The rural location of many SPAR stores continues to do the right thing by turnover as the government social grants programme presses on, and expansion into Mozambique is now on the cards. On the downside, some Build It owners have been squeezed somewhat in the downturn, with SPAR making net provisions of bad debt to the tune of R890 million, 50% up from last year. **Comment:** Still jolly, still green. And as we never tire of saying, that turnover is only out of the DCs, or so we're told.

Business Report 12/11/09, Reuters 11/11/09

**Pick n Pay****Mommy Dearest**

Pick n Pay has been dragged into a legal battle it would no doubt have sought to avoid – with the publisher of a 528 page manual for mothers entitled Mighty Mom, with which the Big Blue had apparently entered into a JV of sorts for the distribution of the title. Mighty Mom publisher Philippa Robertson Smith says the project was not supported as it should have been by Pick n Pay, which she says had predicted that 120 000 manuals could be sold through their call centres. In the end, only 2 000 of the books were printed, of which Pick n Pay took delivery of 900-odd. Pick n Pay, in the meantime, say that the publisher had not furnished them with tangible deliverables, after which (reading between the lines here) it had gone lukewarm on the project. **Comment:** Not even Spud could sell 120 000 copies, call centre or not.

Business Report 13/11/09, 16/11/09

**Pharmacy****Bitter little pills**

Dis-Chem has joined Clicks in welcoming the Department of Health's surprising new proposal to exempt marginal pharmacies from set dispensing fees, although they have no plans to up the rate themselves. Clicks has said with the merest hint of forgivable smugness that they are too profitable to be eligible for exemption. Dis-Chem goes one up on this, suggesting that they might not even implement the full 26%-or-R26 increase. The regulations as they currently stand promote a four-tiered structure, which sees medicines commanding higher mark-ups, and which according to Clicks will enable it to expand its pharmacy rollout into the rural areas – it's wanting to add 30-40 pharmacy-enabled stores to its current 217 next year, while Dis-Chem plans to add another 10 chemists to the 42 it already runs. The Pharmacy Stakeholders Forum, in the meantime, has rejected the latest proposals, saying that it will put many of their members out of business. Pharmacists currently set their own fees, with punters paying different prices depending on where they shop and what their cover's like. **Comment:** The great thing about having all these little independent pharmacists still struggling gamely on is that it gives Clicks and Dis-Chem someone to be cheaper than.

Business Day 10/11/09

## MANUFACTURING &amp; SERVICE PROVIDERS

**Oceana****Ain't no ocean wide enough**

Oceana's turnover was up 10% for the year ending September 30, with profits before abnormal items (Krakens? Russian submarines?) up 25%. Canned fish, which were bigger and more plentiful than last year (OK, you at the back, yes, before they were canned, obviously) were a major contributor to this bounty, as were sales of pilchards in the local market – although there was insufficient stock to fully meet demand. Midwater and deepwater fish have also been good for business, with nice catches all round. The story for squid and anchovies is not as optimistic – a strike cut production in the former, while the latter were not as abundant as their larger cousins. Weak demand, particularly in the UK and France, has had an impact on exports. **Comment:** Oceana believe that business should improve as international demand strengthens post the recession, while SA fish stocks remain "relatively" stable. Let's hope they are right.

Business Report 13/11/09

## SAB

### The rise of the working glass

The Food and Allied Workers Union (FAWU) has expressed concern at aspects of the proposed SAB BEE deals, which would see about 50 000 previously disadvantaged retailers and 9 500 staff nabbing some of those attractive SAB shares. At issue is the disparity between the number of shares held by empowered management and regular joes in the production line, reaching a ratio of 10 to 1 at worst, which FAWU argues reinforces disparities of asset-ownership in society and the inequitable distribution of income within SAB. They also take issue with the ten-year "lock in" period, within which anyone retrenched, retiring, resigning or becoming disabled will become ineligible for full remuneration. On the upside, FAWU have welcomed the engagement with management on these issues. **Comment:** FAWU has also written to Foodcorp, Pioneer, KVV and Tiger to discuss their BEE transactions. Ulp.

Bizcommunity 16/11/09

## Willowton

### You are the sunshine of my life

Who? you may ask, and you'd be wrong. Willowton Oil is SA's market-leading producer of sunflower oil, and it has just taken the mysterious decision to import 110 000 tons of sunflower seed at a time when the industry's expecting a 270 000 ton surplus of the stuff. Global warming? The grey blight? An expected resurgence in the popularity of parrots as pets? In fact, the Willowton boys have managed to get such a good deal on the seeds from a Swiss commodity trading house – at least 10% less than they could find them locally – that they couldn't really say no. Willowton reckon that speculators locally are driving prices up unaffordably, and that the Romanian seed they've sourced is way higher in oil content than the local stuff. **Comment:** Local producers, in the meantime, are wondering aloud how grain shipped from the Black Sea could be landed more cheaply than it can be made locally.

Financial Mail 13/11/09

## Imperial

### On the road again

Mercedes-Benz Commercial Imperial Logistics and their Woolies distributors Fast 'n Fresh have joined forces for a greener supply chain. The first step involves a pilot project of five new Mercedes-Benz Euro 5 trucks which will reduce emissions and the carbon footprint on the way to a cleaner and greener future, using high quality fuel and exhaust gas treatment, with a view to building an increasingly sustainable 'eco chain', from the vehicle supplier to the logistics company, the retailer and finally to the consumer. The Fast 'n Fresh operations will manage the ongoing supply of the high quality fuel together with AdBlue – exhaust gas treatment fluid – and this will be implemented on a controlled basis by a reputable fuel company. **Comment:** Global warming and environmental degradation will be fought by businesses doing the right thing, as much as by activists shouting at them.

Tatler Reporter 17/11/09

## TRADE ENVIRONMENT

## Business Confidence

### A hard rain's a gonna fall

The SA Chamber of Commerce and Industry (that's SACCI to you) Business Confidence Index fell by 3.3 points to 82.2 in October, wiping out the gains of the more breezily optimistic month of September. While some sub-indices – namely share prices, precious metals, the exchange rate and inflation – had a positive impact on business confidence, they were not enough to outweigh the darker tidings coming from liquidations, manufacturing output, retail sales, new vehicle sales and real financing costs. **Comment:** What these numbers tell us, if you hold them up to the light, is that it will take more than just a favourable financial environment to return our moguls to their naturally buoyant state – we need improvements in real economic activity, like making stuff and selling it. Only then will the big boys start putting the orders in for their 7-series'.

Business Report 10/11/09

## Corporate Social Investment

### Johnny buy good

Punters are still putting their money behind brands with a clear social purpose, if the folks over at the Edelman Good Purpose Consumer Survey are to be believed. Globally, 57% of consumers believe a brand which does its bit in support of good causes has earned their business, while 67% would switch brands if another one of a similar quality supported a good cause. And – sorry, ad blokes – 71% of consumers believe that brands and businesses spend too much on marketing and not enough on doing the right thing, while 63% are looking for brands and companies to make it easier for them – the consumers – to make a difference in the world. **Comment:** Something the retailers have been good at letting the consumers know they are doing, while manufacturers a little more patchily so.

Supermarket.co.za 13/11/09

## IN BRIEF

## Woolworths

### Orange you happy you shop there?

Woolies Food is the overall winner in the obscurely-tilted 2009 Ask Afrika Orange Index service excellence benchmark. Service, you may recall, is one of Woolies key brand values, along with quality, innovation, value for money, energy, a focus on sustainability and affordable pomegranate and aloe juice for the masses. Nice one, that chap in the dark suit.

Tatler Reporter 17/11/09

## Trend

### Blink and you'll miss it

Women aged 20 to 30 – that's Millennials to you poncily-spectacled trend gurus – represent a great opportunity for manufacturers of consumer goods who understand that they are major impulse purchasers who nevertheless shop to a budget, are vastly more open to private label, stock up while bargains are to be had and are not so big on coupons and the like, according to Information Resources Inc. in the US. To which we can only reply "huh?"

Convenience Store News 13/11/09

## Cadbury

### Hot chocolate

Cadbury, still smarting from the "derisory" offer of £9.8 billions from Kraft, has attracted the attention of a new pair of suitors, mandolin-playing Ferrero Rocher and moonlight crooner Hershey. Which may, it appears, be joining forces in a new bid to create a global chocolate behemoth.

The Guardian 18/11/09

## TRADE INTELLIGENCE

## Training & Seminars

### mycustomer

MyCustomer is a series of training programmes and executive presentations designed to provide your business with the insights you need to trade effectively in the South African consumer goods environment. The programmes look at the FMCG Environment holistically, from the macroeconomic drivers that shape consumer behaviour to the retail responses to these, including their positioning, strategy and operational execution. MyCustomer explores the areas of opportunity for co-creating value with your customers, and inspires your team to maximise these opportunities in your business and with your trading partners.

### mycustomer 2.0

#### An introduction to the SA Trade

Trade Intelligence plays a fundamental role in attracting, educating and inspiring industry talent with this intensive 2-day workshop for marketing and customer marketing graduates, new entrants and non-customer facing staff, providing in-depth insight into Key Customers and the environment in which they operate.

Mycustomer 2.0 provides:

- An in-depth understanding of your customers, their trading operations, market positioning and strategic focus areas.
- A clear and concise 'situation-analysis' which is key to drawing up annual account plans - "where each retailer is at today and discussion regarding where it is going tomorrow".

FOR MORE INFORMATION ABOUT THESE COURSES, contact Michelle Caskie on (031) 303 2803 or email [michelle@tradeintelligence.co.za](mailto:michelle@tradeintelligence.co.za)

## THE WEEKLY GURU

"Rock 'n Roll is the most brutal, ugly, desperate, vicious form of expression it has been my misfortune to hear."

Frank Sinatra

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