



7 July 2011

A difficult decision by Pick n Pay this week, against a backdrop of a real employment figure of 41% – that's employment, not unemployment. If we could bring the resources and creativity of business together with the energy of the unions to bear on the questions of education, productivity and employment, we might have a chance. Or we could just carry on fighting the same tired old battles, circling each other around the plughole of history, which is where, under the current model, we appear to be headed. Enjoy the read.

RETAILERS AND WHOLESALERS

Pick n Pay

Hard Times

Pick n Pay has announced that its contemplating the retrenchment of 3,137 workers within its non-management bargaining unit due to operational requirements. According to Ops Director Neal Quirk, the decision "was not taken lightly but was required to ensure the viability of our retail business and our employees into the future." Pick n Pay is looking at possible alternatives that may reduce the number of full-time people affected and these options will be discussed during its no doubt difficult consultation with SACCWU. The retrenchment, if it goes ahead, will affect 8% of Pick n Pay's domestic workforce, and is a direct response to the difficulties the business currently faces, including declining profitability and the loss of market share. Pick n Pay was criticised recently in the press for continuing to pay shareholder dividends in the light of its disappointing financial performance.

Comment: A difficult decision to make. Or, indeed, to have made for you.

Tatler Reporter 06/07/11

Shoprite

Franchise very beautiful this time of year, non?

Shoprite has embarked on an aggressive drive into franchise, as its recent acquisition of Metcash's franchise stable indicates. An attractive vehicle for this growth is the OK Minimark format, aimed at independent retailers with stores of around 300m². Shoprite charges these chaps, or indeed ladies, a joining fee of R20 large, for which they get a plan for the layout of their new venture, and a monthly royalty on turnover of 1.75%, reduced to .75% for early payers. Franchisees get access to Shoprite's mighty buying power, but are at liberty to negotiate independently with suppliers, and generally carry around 4,500 lines from 1,000 suppliers.

Comment: Franchise may turn out to be the only route to go for many in the beleaguered independent sector.

Business Report 03/07/11

Massmart

The machines! The machines are taking over!

Massmart is making a belated entry into the brave and reputedly lucrative new world of digital virtual online cyberspace, where the likes of Pick n Pay and Woolies have already set up shop with a fair degree of success. The South African online retail market is predicted to be worth around R2.6billion this year, and is growing at a speedy 35%, way ahead we are sure you will agree of its stodgier real-world cousin. Massmart CEO Grant Pattison has pointed out that it's not simply a question of "a button to press and a credit card to enter", and that reliable delivery and logistics are a critical part of the equation as it were. This, of course, is where Walmart may come in, with all that supply chain expertise it's already bringing in and its existing experience online.

Comment: Online is a no-brainer for Massmart with its big footprint in electronics and home entertainment, which SA's tech-savvy punters like to buy online.

Business Times 04/07/11

MANUFACTURERS AND SERVICE PROVIDERS

Procter & Gamble

The irresponsible speculation department

Let's assume that Business A – let's call it P&G, it's just a name – has a collaborative relationship with Business B – Walmart, for instance – that goes back to the '80s, and encompasses *inter alia* distribution/logistics and the electronic monitoring of stock on shelf through a real-time satellite link-up, resulting in greater efficiencies and savings for both. Let us further assume that Business A has a small footprint in South Africa relative to its size but has, interestingly, been registering trademarks busily for the last few years. Might it not follow, then, that with the

arrival of Business B in South Africa, Business A could potentially expand its market presence in SA in respect of brands, variants and even entire categories on the back of such a collaborative relationship and its inherent advantages, becoming a more significant player in the FMCG environment and incidentally bringing a new type of retailer/supplier relationship to these shores – one based more on co-operation than antagonism? It may be further salient to note that the General Manager of Business A (South & East Africa) Stanislav Vecera is known for his ability to bring governments round to a more positive line of thinking – for example the reduction of import tariffs in Nigeria to encourage local manufacturing. His current area of focus is opportunities inherent in the area of Trade Blocks and Regional Trade Agreements in sub-Saharan Africa.

Comment: We're just saying.

[Tatler Reporter 06/07/11](#)

Unilever

Buy, buy, bluebird

Last week we reported that Le Grand Bleu has no immediate intention of growth through acquisition, but would focus its efforts on organic expansion. This week, it's back to horse-trading, with the sale of the Sanex business – recently acquired with the purchase of Sara Lee, but prevented from trading by European Competition Authorities – to Colgate Palmolive, and the acquisition of Colgate's detergent brands in Colombia. Whew. The former of these transactions will bring in €672million to Unilever, who will fork out US\$215million on the latter. Unilever classify the Colombian buys as "bolt-on" acquisitions which will strengthen the existing portfolio and help them expand their geographic presence.

Comment: More steps on the way to achieving their stated goal of doubling the size of the business.

[Pharmaceutical and Cosmetic Review 31/05/11](#)

Coega

The milk of human kindness

Where, you might ask, and you'd be wrong. Coega is of course the on-again, off-again mega project on the blasted flatlands north of Port Elizabeth, aimed at kickstarting the development of the Eastern Cape, and will soon be the location of a R50million dairy plant owned and operated by the Coega Milk Producers Organization (CDMPO). The CDMPO is in turn owned by 13 commercial dairy farmers, who believe the plant will create 754 direct jobs and 200 farm jobs, and will grow their investment to R150million by the end of 2013. They are busily raising bucks for a 40% empowerment stake in the business, to be taken up in part by the Coega Empowerment Trust, which will be owned by employees, dairy farm labourers and preciously disadvantaged dairy farmers. The plant itself will be run sustainably, using 50% less water energy and chemicals than the norm.

Comment: Good work, those khaki-shorted chaps.

[Fin 24 04/07/11](#)

TRADE ENVIRONMENT

Employment

A jobless army

The only places in the world with proportionately higher unemployment than South Africa are some backward petrogarchies in the Middle East where women are expressly forbidden from working. In South Africa, only 41 out of every 100 people are actually working, despite the official figure of 25% employment, according to Adcorp Holdings CE Rickard Pike. The reasons for this are of course complex, but a curt nod should be given to our restrictive labour legislation, where South Africa ranks 133rd out of 139 in the most recent global competitiveness report, as well as the decoupling of wage inflation from (declining) industrial productivity.

Comment: And a terminally-damaged education system. The list goes on. See Welcome above.

[Business Report 26/06/11](#)

IN BRIEF

Fruit & Veg City

fresh...the fresh...the fresh drive

FVC brainchild Freshstop has recently launched its first corporately-owned store, at a Caltex forecourt in Stellingdale near Kuils River, where interested parties may go to see how it is done across the full range of Freshstop departments, including fruit and veg, bakery, cheese, dairy and essential groceries, and where staff and new franchisees can be trained.

[Wholesale Business June 2011](#)

Distell

Willing buyer, willing cellar

Distell has rather cunningly bought a significant stake in BrandPhoenix, which distributes best-selling South African wine brand FirstCape in the UK, in order, get this, to establish a channel in that damp and joyless archipelago for its Nederburg, Two Oceans and JC le Roux collections. BrandPhoenix for their part are keen to expand their portfolio of South African wine, for distribution across multiple channels, thanks, chaps.

[Food Review 31/06/11](#)

Clover

Ruminating on a meaty matter

Clover, you will be pleased to know, will be unaffected by the government's announcement of a crackdown on products containing trans-fats, as the natural trans-fatty acids which occur in meat and milk from cows and other ruminants are not subject to the incoming regulations.

[Supermarket.co.za 30/06/11](#)

Trade Intelligence

Walmart closed for business

OK not really. But our Walmart workshop, to be held in Johannesburg on 28 July, has proved so popular that we have had to close bookings, limiting seats to 150. Should you be interested in a similar event, please let us know by mailing us here, and if there is sufficient demand, we will investigate running another one. Alternatively, you could find out more about our extremely popular special report on the arrival of Walmart and its implications for your business by clicking here. Or both.

[Tatler Reporter 07/07/11](#)

TRADE INTELLIGENCE

Training & Seminars

mycustomer™

My Customer 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. My Customer 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.

My Customer 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 Linda Hogg on (031) 303 2803 or email linda@tradeintelligence.co.za

THE WEEKLY GURU

"You take my life when you do take the means whereby I live."

William Shakespeare

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