



01 August 2012

You'll forgive the unaccustomed length of our online retail story below. It's a riddle wrapped in a conundrum wrapped in an inextricable knot of firewire, this business of whether it's worth rushing your grocery store online or not. Shoprite says nay, Woolies and Pick n Pay yay, while Massmart perhaps wisely hedges its online bets with durables rather than food right now. Enjoy the read.

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## RETAILERS AND WHOLESALERS

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### Online Retail

#### Of course we have got an internet. A big one.

Shoprite would be a pretty big player in online retail, if it was worth it. And they have the technology and capability to switch it on any time they like. But they believe that "few, if any" of those businesses offering online shopping are profitable. All this emerged in response to research by general internet busybody Arthur Goldstuck of World Wide Worx who believes that growth in online shopping is pretty much guaranteed for the rest of the decade, and that when Massmart come fully onstream they will offer stiff competition to Woolworths, Pick n Pay and whoever else may by then have decided that the water is worth having a toe in. He is also of the view that while Shoprite might believe that its mass-market shopper will not be interested in online shopping anytime soon, it is precisely in this demographic that internet use is starting to soar. The total spent on online retail in South Africa exceeded the R2billion mark for the first time in 2010 with growth maintaining at 30% in 2011, for a total of R2.636billion. Pick n Pay, who with Woolworths have pioneered online grocery retail here, have just announced that they've signed up with online payment service provider, PayU, which allows customers to store multiple credit card details for future purchases and speed through checkout. Goldstuck did mention, however, that food sales online are stagnant, with all the growth coming from durables.

**Comment:** No one will ever listen to their music off a little shiny disc.

[IOL 30/07/12](#)

### Shoprite

#### It's a jungle out there

What the heck has impelled Shoprite's bold move into the fully-fledged, current, a-million-miles-away from recovering basket case DRC? Hmm, let's see. Could it be the real 20% per capita income growth the place experienced between 2006 and 2011 as the world came alive to the possibilities buried beneath its rich red soil? Or just the irresistible lure of a good site? La Gombe, where Shoprite's Kinshasa store is located, has a big population of dollar-earning expats who are heartily sick of warm beer and yams. The competition? Which in this instance mainly comes from fridgeless pavement artists with no credit card facilities. It definitely isn't the World Bank's 2012 ease of doing business report, which places the DRC 178 out of 183 countries, mainly as a result of the endemic blackouts and general lack of infrastructure. It's geographic advantage, as a springboard into the Republic of Congo, Gabon and Cameroon? Or Kinshasa's own growth – 10 million souls now, 15 million by 2020, and the early indications of an emerging middle class.

**Comment:** All of the above, bar the obvious. Shoprite have built a great business on boldly going.

[howwemadeitinafrica.com 30/07/12](#)

### Pick n Pay

#### Bright idea

In 2011, Pick n Pay won an *eta* Award from Eskom for their implementation of their energy efficiency strategy in the energy efficiency awareness category. Old news perhaps, but salient. Pick n Pay's stores, you see, were burning through an average of R150k per month, threatening future margin as they went. But instead of reinventing the windmill or planting grass on every roof from Fourways to Fouriesburg, The Big Blue decided to change the way existing energy was being consumed in the business. They developed a simple E-Board or energy board application, which served as a dashboard for individual store managers, allowing these worthies to identify opportunities for energy saving, like switching off lights, aircon and bakery equipment when these are not in use. Every day, 5,000 of these cunning little bits of code monitor useage and email the relevant bits to suitably chastened managers, who then rev up the staff and get everyone scrambling for the sockets and switches. For a 22% energy saving for the first year, or R1.38millions.

**Comment:** There is something admirably dogged about the manner in which Pick n Pay are quietly doing the right thing, against the promise of future results.

[Supermarket & Retailer 07/12](#)

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## MANUFACTURERS AND SERVICE PROVIDERS

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### Unilever

#### Eurotrashed

You might be Ryan Lochte after the 200m freestyle, but at least you aren't Danone and P&G in Europe. Last month, Spanish punters decided en masse to head for the private label section in the yoghurt fridge, causing Danone to issue a profit warning. Then P&G in a more self-critical, reflective mood, like us in the days leading up to our forty-seventh birthday, attributed their lack of performance to a lack of big new launches and a slowness to cut costs. Again, like us in those gloomy days. Not Unilever, though. While the travails of the sunnier European nations have not been kind to them, exactly, with sales dropping 2.2% there in the three months to June, they have been held up by their sales in emerging markets, which account for 55% of turnover and grew a whacking 11% in the second quarter. This saw overall sales grow 5.8% to 46.5 billion Euros.

**Comment:** Quite right, too. Developing economies. That's the spirit.

[IOL 27/07/12](#)

### Bread

#### Salt of the earth

Salt, as you know, raises blood pressure and increases your chance of heart attacks and strokes. If you happen to be a loaf of bread, though, it toughens your dough and improves your handleability during processing. It gives you a pleasingly fine texture, and controls the fermentation of your yeast, causing you to rise bang on time. Which is why businesses like Pioneer are becoming so exercised about the government's salt reduction targets for bread of 400mg of sodium per 100g by 2016, and 370mg sodium per 100g by 2018. Bread currently contains between 470mg and 520mg per 100g, and lower than that it is pretty tricky to go, say Pioneer. You can, theoretically, substitute salt with potassium chloride, but that is a heck of a lot more expensive and leaves a metallic taste in the mouth.

**Comment:** On the upside, though, reducing salt in bread could help prevent 2,000 fatal strokes and 3,000 deaths from heart disease every year.

[Bizcommunity 24/07/12](#)

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## TRADE ENVIRONMENT

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### Exchange Rate

#### The Ex Factor

Last week, the rand hit R8.46 to the dollar, its lowest level since the end of June, and the second-worst performing emerging market currency according to the gimlet-eyed wonders over at Bloomberg. This as panic-stricken punters, spooked by the sounds of coyotes in the night and by the debt problems of Europe, flee risky emerging market prospects for the safer havens of British, American and German bonds. What can this mean? Will South African retailers stop buying Brazilian sweeties and Chinese pasta? Will South African chicken stride bold and proud once more across the Atlantic, so to speak? Unfortunately, the European debt crisis has slowed demand from up north, so it's probably a swings and roundabouts scenario.

**Comment:** And may silence the rand interventionists for a bit.

[Business Day 24/07/12](#)

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## IN BRIEF

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### Supergroup

#### "Creative differences"

Supergroup, you will be pleased to know, is releasing its first full length studio album since 1975, and is about to embark on a massive worldwide tour to promote it. After a seemingly endless string of managers and the well-documented public meltdown of lead singer Fabian ... what? Oh, *that* Supergroup. Ah, yes. Of course. *That* Supergroup expects to report a consolidated net profit after taxation for 2012 of between R572.2m and R617.1m compared with R368.7m last year. Nice one. Sorry.

[Fin 24 26/07/12](#)

### PPI

#### When the moon is in Aquarius...

The hilarious predictions of economists have once again been confounded by a dose of good, hard truth. In this case, it's the Producer Price Index (PPI), holding steady for the month of June at 6.6% year-on-year, with the Bearded Ones predicting a drop to around 6.2%. This as the rate of acceleration for agricultural products ticks upwards, suggesting that there may be pain in the basket down the line.

[Business Live 26/07/12](#)

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FOR MORE INFORMATION ABOUT THIS COURSE, contact Linda Hogg on (031) 303 2803 or email [linda@tradeintelligence.co.za](mailto:linda@tradeintelligence.co.za)

**THE WEEKLY GURU**

“Prediction is very difficult, especially if it’s about the future.”

Niels Bohr

For further information: [www.tradeintelligence.co.za](http://www.tradeintelligence.co.za) | [info@tradeintelligence.co.za](mailto:info@tradeintelligence.co.za)

Editorial: Nick Paul: [nick@tradeintelligence.co.za](mailto:nick@tradeintelligence.co.za)

Advertising Sales: Ashley Campbell: [ashley@tradeintelligence.co.za](mailto:ashley@tradeintelligence.co.za)