



26 April 2017

Tough times continue, don't they just, although Clicks has maintained its trajectory of strong growth, and Unilever and Nestlé have both upped their first quarter performance, too. Not so pleasant for Pioneer, though, which has become a reluctant bellwether for the effects of the downgrade, see below. And a bellwether, by the way, was in medieval times a castrated sheep which was fitted out with a bell, and appointed to lead the flock. Now of course, the expression means "the first indicator of a trend". Enjoy the read.

RETAILERS AND WHOLESALERS

Clicks

Strong Medicine

Characteristically robust interims from Clicks last week, with turnover up 8.5% to R13.1bn and operating profit up 14.7% higher to R840m. The Clicks chain itself recorded double-digit growth across pharmacy, front shop health and beauty, assisted thither by strong festive sales and improved price-competitiveness, a continued focus: 35% of sales during the period were promotional. Margins were also up at both Clicks and pharmacy-distributor UPD, for a group-wide figure of 6.4%. The really big news, however, is that the Group opened 89 stores in the six months to February, for a total of 600, and are now targeting 800 Clicks stores in South Africa. For those of you who missed our one pager update last week click [here](#).

Comment: Clicks' growing footprint and domination of existing properties is likely to prove a significant barrier to newly-listed competitor Dis-Chem.

[IOL 24/04/17](#)

Shoprite

Bom's away!

A bit of an under-the-radar announcement here from Shoprite, which tells us it intends to spend around \$571million US in the next five years expanding its operations in Angola, in partnership with the Angolan Technical Unit for Private Investment (UTIP). This investment will cover the construction of 15 new shopping centres, another 22 supermarkets (of which three have already been opened), a warehouse, two residential structures for staff, and improvements to four existing stores. This will expand Shoprite's footprint to cover 11 out of 18 provinces, and will create 5,600+ new Angolan jobs. For all of this, UTIP is handsomely giving the Big Red One a 65% reduction in industrial, capital and property taxes for 10 years.

Comment: That's how you do it!

[Macau Hub 18/04/17](#)

Massmart

Is the Pope a retailer?*

Getting a little granular here, but bear with us: Massmart has reported a miserable first quarter, with sales up just 0.5% year-on-year, with like-store sales actually down -1.7%. This, they complain, is in part due to the later Easter this year – although some analysts have pointed out that this would have been offset by the inclusion of Boxing Day. Elsewhere in Africa, the picture was even worse, with sales down -17.4% beyond our borders. On the upside, they say, they're expecting to open 11 new stores in sub-Saharan Africa in the next year or so, hedging like other businesses against uncertainty back home. They expect the downgrade to make itself felt at the tills as the year unfolds. Problem is, economic growth is down elsewhere too, with the region growing at just 1.5% according to the skinny-suited Jean-Luc's and Federica's over at the World Bank.

Comment: Tough times for Massmart, which is particularly exposed to the hardships of SA's lower-end consumers.

**Obviously not. That was a rhetorical question.*

[IOL 20/04/17](#)

MANUFACTURERS AND SERVICE PROVIDERS

Unilever

... to the lady at the back in the purple hat...

Some muted good news from our friends over at Le Grand Bleu this week – after seeing off a takeover bid from Kraft, to the ire of some shareholders and scorn of several analysts, Unilever reported a pleasing first quarter, with sales up 2.9% against market expectations of 1.9%. Concerned about the pushback from shareholders, CEO Paul Polman (his sainthood somewhat tarnished) has promised to increase returns via buybacks and the lifting of profitability goals. There's also a bold plan to break up the global margarine business – which has a 32% share of the global market – and auction it off either in its totality or in packages. South Africa and North America were specifically mentioned as bits which could be sold separately. In total, say analysts, the sale could realise somewhere between \$6 and \$7.5bn.

Comment: Decisive.

[Financial Times 21/04/17](#)

Pioneer

Boldly not going

All a bit mysterious, really, but in March, Pioneer Foods let it be known that it had been approached by another party “to explore a material transaction” and that whether purchase or sale – neither was specified – this deal would be “in keeping with Pioneer Foods’ strategic direction”. Last week, sadly, Pioneer reported that due to the recent downgrades, “the parties have decided to discontinue negotiations at this time.” This gives the business the unfortunate distinction of being the first to be materially, if not measurably, affected by the downgrade. Pioneer is constrained by competitive pressures from expanding much in South Africa and was apparently looking to Eastern Europe for growth. Pioneer have let it be known that they themselves might reconsider any South African acquisitions that may have been on the cards.

Comment: OK, this one didn't fly. But the dramatic expansion of South African businesses into other territories remains one of the big stories of our current ambit.

[Business Report 07/03/17](#), [The Times 23/04/17](#)

TRADE ENVIRONMENT

Customer Satisfaction

I'm too SAcsi for my shir ... oh, shut up.

So the latest ranking on the South African Customer Satisfaction Index (SAcsi) for which you have been waiting, agog with anticipation then, here's how they look:

Woolworths	82.1
Checkers	77.2
Pick n Pay	76.5
Shoprite	75.5
SPAR	75.2

What does this all mean? Well according to Consulta, who put out the index, Woolies shoppers are most satisfied with their retailer of choice. Everyone did well though, with the only downside being that shopper loyalty declined across all retailers as things tightened economically.

Comment: As loyalty becomes less important to shoppers, retailers need to work even harder to retain it. One question-where the non-listed retailers in this survey?

[Bizcommunity 20/04/17](#)

IN BRIEF

Pick n Pay

Aawoooooh!

Staying in the arms-race of giveaway gadgetry this week is Pick n Pay, which has launched its Super Animals card range again – a pack of four for every R150 you spend, augmented reality, and a R60 card reader which emits the appropriate animal noise when your swipe a card. Be interesting to understand the ROI on these promos, if you can put a price on the happiness of small children.

[Tatler Reporter 24/04/17](#)

Mastercard

This has got Brasher's fingerprints all over it.

Upping the game on card security this week is Mastercard, which has trialled a biometric shopping card in Pick n Pay stores here and now plans to extend the trail in Europe and the Asia Pacific region. The card stores the user's fingerprint data, which is then verified upon payment at the tillpoint and takes everything to the next level somewhat.

[Business Day 20/04/17](#)

Nestlé

The White Stuff

Milk-products' giant Nestlé's global sales rose 2.3% for the first quarter, beating analysts' expectations of 2%, and suggesting a global uptick in previously-sluggish food and beverage sales. It could also suggest that they've upped their prices, which they in fact have, to the tune of 1% year-on-year.

[Bloomberg 21/04/17](#)

THE WEEKLY GURU

"The worship of the golden calf of old has found a new and heartless image in the cult of money and the dictatorship of an economy which is faceless and lacking any truly human goal."

Pope Francis

For further information:

www.tradeintelligence.co.za | info@tradeintelligence.co.za

Editorial:

Nick Paul: nick@tradeintelligence.co.za

Advertising Sales

Phumzile Zulu: phumzile@tradeintelligence.co.za