OVERVIEW OF THE SOUTH AFRICAN RETAIL MARKET

Prepared for:

ICE-Agenzia per la promozione all'estero e l'internazionalizzazione delle imprese italiane

On behalf of

Veneto Promozione S.c.p.A

October 2013
1.0 Overview of the Retail Sector

In 2012, the retail, wholesale, catering and accommodation sector contributed 14.4% to overall GDP and reflected growth of 3.5% over the previous year. The retail and wholesale sectors specifically employ an estimated 2,825,000 people, 22% of the national labour force. This positions retail an important sector in the overall South African economy.

In 2012, total retail sales in South Africa amounted to R654,1 billion (€62 billion). As illustrated in Figure 1, retail sales have shown steady growth over the last 5 years although the actual level of growth started to slow from 2012 onwards. According to Derek Engelbrecht, Retail and Consumer Products Sector leader at Ernst & Young, “The deterioration in retail sales growth since mid-2012 can in all likelihood be ascribed to a slowdown in real income growth on the back of poor job creation and rising inflation, coupled with a deceleration in the pace of unsecured lending and a substantial drop in consumer confidence levels.”
The Bureau of Market Research (BMR) is forecasting an annual growth of 4.5% for formal retail sales in 2013. Based on the BMR growth prospects, formal retail trade volumes will reach R683.6 billion (€64.8 billion) for 2013. According to the BMR report, retail outlets that are expected to show the highest real growth rates include clothing, footwear and leather retailers (7.0%) followed by furniture, appliances and equipment outlets (5.0%) and general dealers (4.8%). In terms of retail sales for food, beverage and tobacco products, BMR expects that consumers are more likely to engage in bulk shopping (especially via general dealers) than spending on specialty food products.

Actual sales figures released mid-2013 by Statistics South Africa reflect a far more conservative growth. Measured in real terms (constant 2012 prices), retail trade sales increased by 2.8% year-on-year in July 2013. The highest annual growth rates were recorded for retailers in hardware, paint and glass (10.3%), textiles, clothing, footwear and leather goods (8.9%) and food, beverages and tobacco in specialised stores (4.3%). Non-durable and durable goods sales growth (particularly in the furniture and household appliances category) remains weak. This can be attributed to low levels of consumer confidence, a poor economic outlook for South Africa in 2013 and a weakening of the South African rand which has increased the price of imported goods. Analysts are not expecting a recovery in consumer spending for the remainder of 2013.

The largest proportion for retail sales is through general dealers (37% of total in June 2013), followed by textiles, footwear and clothing (21%) and food and beverages (9%). Given the cross over between general dealers and specific food and beverage outlets, a more realistic figure on the food and beverage retail market is provided by industry sources at R220 billion which accounts for 65% of food distribution in South Africa. The remaining 35% is through wholesale channels.
According to Nielsen’s defined basket share of super groups (which excludes fresh products as its panel data), nearly 50% of the average basket is made up of Dry Groceries and Staples as illustrated in Figure 3. Staple categories – such as rice, flour, maize meal and margarine – have experienced deflation over the last year and customers therefore have to spend less on staples and have more available to spend on dry groceries and beverages.

Whilst the uptake in online shopping in South Africa has been slower than in many other countries, the trend does appear to be turning. AMPS 2011 figures reveal that nearly 730,000 South African adults do online shopping. Some 66% use only a computer to do so, 23% use only a cell phone, and 11% use both a computer and a cell phone. The Online Retail in SA
2011 study by World Wide Worx shows that the total spent on online retail goods in South Africa passed the R2 billion mark in 2010 for the first time. It reached R2,028 billion, growing at 30% over the previous year.

### 2.0 Demographic Profile

South Africa has a total population of 52.9 million people living in 14.4 million households with a total household income of R1,631 billion (€154 million). Approximately 51% of this population is female. About 29.2% of the population is aged younger than 15 years and approximately 7.8% (4,15 million) is 60 years or older. Of those younger than 15 years, approximately 22% (3,42 million) live in KwaZulu-Natal Province and 19.5% (3,01 million) live in Gauteng Province. The relatively young age of South Africa’s population presents both an opportunity and a challenge: it is an opportunity in that it represents a large up-coming consumer grouping and it is a challenge given the high levels of unemployment and the poor state of South Africa’s education system. It is unclear whether these people will have sufficient education to find employment which would allow them to move up the monthly household income scale.

**Figure 4: South Africa’s Population by Age and Sex, Mid-2013 Estimates**

![Population by Age and Sex](image)

Source: StatsSA

Of the nine provinces in South Africa, there are three which, from the perspective of suppliers of consumer goods, are extremely important. Some 54% of the population and 66% of total personal income is earned in these three provinces, namely Gauteng, KwaZulu-Natal and the Western Cape.
Gauteng Province covers 1.4% of South Africa’s land area, has a population of 12.7 million people (24% of the population) and contributes 34% of South Africa’s GDP. Some 45% of the highest income earning households live in Gauteng. KwaZulu Natal has a population of 10.5 million people (19.7% of the population) and contributes 16% of South Africa’s GDP. The Western Cape has a population of 5.8 million people (11.2% of the population) and contributes 14% of South Africa’s GDP. The importance of these three regions cannot be underestimated in determining strategies for sales of High Value Products.

Figure 5: Provincial Breakdown of South Africa’s Population

South Africa has one of the most skewed income distribution patterns in the world, with the top 10% of the population accounting for 47% of consumption or income. A typical household in the highest income group earns 71 times more than a household in the lowest income group.
3.0 Consumer Behaviour around Shopping

AMPS (All Media and Product Survey) provide an annual scan of consumers and consumer behaviour in South Africa. AMPS 2012 worked on a sample size of 25 108 the universe of which is adults 15 years and older. This survey provides a useful look at the shopping habits of South African consumers in terms of stores.

As shown in Figure 7, some 21% of respondents shop at Checkers, 14% at Pick ‘n Pay, 13% at Spaza stores (informal retail outlets) and 12% at Spar. These are the most popular outlets for buying household groceries and toiletries and this again points to the demographic make-up of South Africa given that both Shoprite and Spaza Stores cater for low to middle income consumers.

Figure 7: Stores for Grocery (Household and Toiletry) Shopping
In terms of clothing, Jet is the most popular store with 14% of respondents reporting that they shop at Jet. This is followed by Mr Price (13%), Edgars (11%), Ackermans (8%), Pep Stores (7%) and Woolworths (7%). Again this points to the demographic composition of the population given that Jet, Mr Price, Ackermans and Pep are all discount brands.

The situation with footwear is similar with 14 of respondents shopping at Jet, 11% at Edgars, 9% at Mr Price, 8% at other outlets (this would be small independent stores), 7% at Pep and 7% at Ackermans.

Figure 8: Clothing Outlets at which Respondents to AMPS Shop

Figure 9: Total Number of Respondents that Purchased Shoes from Specific Store in Past Three Months

Source: Amps January to December 2012
4.0 Profile of Key Players

4.1 Food and Grocery

The South African food retail market is highly concentrated, with five main players accounting for about 60% of all retail sales. Referred to as the Big 5, the five companies are Shoprite, Pick n Pay, Spar, Woolworths and the new player, Walmart's Cambridge Foods. Food Lovers Market is becoming an increasingly important player having embarked upon an aggressive expansion drive.

| Turnover (year ended 30 June 2013) | R 92.7 billion (€8.8 billion) |
| Employees | 99,000 (11,000 of which are outside South Africa) |
| Market Share | 36% |
| Store type and Ownership | 1456 corporate and 380 franchise outlets in 17 countries across Africa and the Indian Ocean Islands. There are 153 stores in 16 countries outside of South Africa. Some 20 more stores are to open by June 2014 and at least a further 150 are in the pipeline. See table below for distribution of current operations. |
| Product Range | Food and beverage products, general household merchandise, wines and liquors, health and beauty, furniture |
| Brands | Shoprite: Shoprite is the original business of the group and remains the flagship brand, serving the mass middle market. It’s the brand with the most stores in RSA as well as the brand used to spearhead growth into Africa. The brand’s core focus is to provide the masses with the lowest possible prices on a range of groceries and some durable items. |
| Checkers: Checkers focuses on time-pressed, higher income consumers and differentiates on its speciality ranges of meats, cheeses and wines. The stores are located in shopping malls and other premises conveniently accessible to more affluent residential areas. |
| Checkers Hyper: Checkers Hyper offers the same selections as Checkers, but within large-format stores that encourage bulk rather than convenience shopping. The general merchandise ranges are wider covering small appliances, pet accessories, garden and pool care, outdoor gear, home improvement, home ware, baby products, toys and stationery. |
**USave**: Usave is a no-frills discounter focusing on lower income consumers.

**OK Furniture**: OK Furniture offers a wide range of furniture, electrical appliances and home entertainment products at discounted prices.

**House & Home**: House and Home offers a wide selection of affordable, exclusive and well-known ranges of furniture, appliances, home entertainment and floor coverings.

**MediRite Pharmacy**: MediRite pharmacies are located inside Shoprite and Checkers stores.

**LiquorShop**: LiquorShop offers an upmarket, convenient shopping experience to Shoprite and Checkers shoppers. It offers a full range of wine, beer and spirits.

**TransPharm**: Transpharm Pharmaceutical Wholesalers distributes a wide range of pharmaceutical products and surgical equipment to our MediRite pharmacies as well as other pharmacies, hospitals, clinics, dispensing doctors and veterinary surgeons across South Africa.

**Hungry Lion**: Hungry is Quick Service Restaurant specializing in fried chicken.
**OK Franchise:** The OK Franchise division operates smaller, convenience-oriented stores that offer a range of fresh and non-perishable food items, as well as general merchandise.

Procurement of imported food and beverages is centralised through a procurement unit at head office in Cape Town. There is also a centralised unit for procurement for stores across Africa.

### Distribution of Shoprite Operations

#### Corporate outlets

<table>
<thead>
<tr>
<th></th>
<th>Shoprite</th>
<th>Checkers</th>
<th>Checkers Hyper</th>
<th>Usave</th>
<th>OK Furniture</th>
<th>OK Express</th>
<th>House &amp; Home</th>
<th>Hungry Lion</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>361</td>
<td>168</td>
<td>29</td>
<td>243</td>
<td>233</td>
<td>18</td>
<td>46</td>
<td>129</td>
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<tr>
<td>Angola</td>
<td>5</td>
<td></td>
<td>12</td>
<td>4</td>
<td></td>
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<td></td>
<td>5</td>
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<tr>
<td>Botswana</td>
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<td>3</td>
<td>7</td>
<td></td>
<td>1</td>
<td>9</td>
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<td></td>
<td></td>
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<tr>
<td>Lesotho</td>
<td>5</td>
<td></td>
<td>5</td>
<td>6</td>
<td>1</td>
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<td>Madagascar</td>
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<td>4</td>
<td>3</td>
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<tr>
<td>Namibia</td>
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<td>4</td>
<td>22</td>
<td>11</td>
<td>2</td>
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<td>Swaziland</td>
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<td>5</td>
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<td>Tanzania</td>
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<td>Zambia</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>453</strong></td>
<td><strong>173</strong></td>
<td><strong>29</strong></td>
<td><strong>299</strong></td>
<td><strong>268</strong></td>
<td><strong>19</strong></td>
<td><strong>49</strong></td>
<td><strong>166</strong></td>
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#### Franchise stores

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<thead>
<tr>
<th></th>
<th>OK Foods</th>
<th>OK Grocer</th>
<th>OK MiniMark</th>
<th>OK Value</th>
<th>Megasave</th>
<th>Sentra</th>
<th>Enjoy</th>
<th>Friendly Stores</th>
<th>Friendly Liquor</th>
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<tr>
<td>South Africa</td>
<td>12</td>
<td>73</td>
<td>35</td>
<td>27</td>
<td>21</td>
<td>50</td>
<td>26</td>
<td>85</td>
<td>11</td>
</tr>
<tr>
<td>Namibia</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td>5</td>
<td>10</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>82</strong></td>
<td><strong>37</strong></td>
<td><strong>32</strong></td>
<td><strong>31</strong></td>
<td><strong>62</strong></td>
<td><strong>26</strong></td>
<td><strong>85</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

#### Ancillary Services

<table>
<thead>
<tr>
<th></th>
<th>Shoprite Liquor</th>
<th>Checkers Liquor</th>
<th>Shoprite MediRite</th>
<th>Checkers MediRite</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>108</td>
<td>82</td>
<td>50</td>
<td>92</td>
</tr>
<tr>
<td>Angola</td>
<td></td>
<td></td>
<td>2</td>
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</tr>
<tr>
<td>Namibia</td>
<td>3</td>
<td>1</td>
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<tr>
<td>Swaziland</td>
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<td>2</td>
<td></td>
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<tr>
<td>Lesotho</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>112</strong></td>
<td><strong>83</strong></td>
<td><strong>54</strong></td>
<td><strong>92</strong></td>
</tr>
<tr>
<td>Turnover (year ended 28 February 2013)</td>
<td>R 59.3 billion (€5.6 billion)</td>
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<tr>
<td>--------------------------------------</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>42,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Share</td>
<td>28%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store type and Ownership</td>
<td>937 stores in South Africa across the following formats.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 20 Hypermarkets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 185 Supermarkets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 287 Supermarkets (Franchise)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 17 Express Franchise (food only)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 135 Liquor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 105 Liquor Franchise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 28 Pharmacy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 76 Clothing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 13 Clothing Franchise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 113 Boxer supermarkets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 15 Boxer Hardware stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 12 Boxer Liquor Stores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 10 Boxer Punch Stores</td>
<td></td>
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</tr>
</tbody>
</table>

| International Footprint              | We have 104 stores outside South Africa |
|                                      | • Mozambique: 1                  |
|                                      | • Botswana: 10                   |
|                                      | • Zimbabwe: 49 (49% investment in Zimbabwean retailer TM Supermarkets, comprising 47 stores) |
|                                      | • Namibia: 20                    |
|                                      | • Lesotho: 2                     |
|                                      | • Zambia: 5                      |
|                                      | • Mauritius: 3                   |
|                                      | • Swaziland: 14                  |

| Product Range                        | Across all formats of stores, the product range is diverse and includes food, wines and spirits, general household merchandise, home improvement supplies, pharmaceuticals, health and beauty, clothing and footwear. |

| Consumer Demographics                | Wide-ranging. Compete on price and “the shopping experience” which is positioned as easy and friendly, a store for each occasion. |
|                                      | Traditional market is LSM 6-8 |
| Buying Practices                     | Generally purchase on a decentralized basis, which means that buyers in each of the 6 main regions will purchase products for their respective retail outlets. |
|                                      | Centralising distribution by 2017 in each of the regions. Currently 36% of grocery distribution, 25% of perishables and 33% of frozen produce is centralised |

<table>
<thead>
<tr>
<th>Turnover (year ended 30 September 2012)</th>
<th>R43.2 billion (€4.1 billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>28%</td>
</tr>
<tr>
<td>Store type and Ownership</td>
<td>SPAR is primarily a wholesaler and distributor of goods and services to SPAR and SaveMor supermarkets, Build it building materials outlets, TOPS at SPAR liquor stores and Pharmacy at SPAR pharmacy and healthcare outlets. There are 1725 stores across the following formats:</td>
</tr>
<tr>
<td></td>
<td>• 295 SuperSpar (selling area of 1,300m²+)</td>
</tr>
<tr>
<td></td>
<td>• 439 Spar (selling area of 700m²+)</td>
</tr>
<tr>
<td></td>
<td>• 134 KwikSpar (selling area between 300m² and 700m²)</td>
</tr>
</tbody>
</table>
- 178 SaveMor (selling area of 300m²)
- 538 Tops Liquor Stores (stand-alone liquor)
- 281 BuildIt (stand-alone building materials)
- 21 Spar Pharmacy (in-store pharmacy)

International Footprint
Distribute to SPAR stores in Swaziland, Botswana, Lesotho, Mozambique, Zimbabwe and Namibia. In addition, SPAR wholesales goods to independent SPAR stores in Zambia and Malawi although these stores do not fall under a licence agreement controlled by SPAR South Africa.

Product Range
Premium alongside value. SPAR stores stock a full range of food and beverage products. There is a big disparity in merchandising between SPAR stores as store owners tend to merchandise for the demographics of the area they serve. Purchasing from local suppliers tends to give each SPAR a unique feel.

Consumer Demographics
Traditionally market to the middle to upper income consumers (LSM 6 to 10)

Buying Practices
SPAR operates under "voluntary trading" principles which means that SPAR retailers can take advantage of the Group trading power but retailers are also free to source goods from local manufacturers and traders. Retailers do however most often take advantage of SPARs centralised supplier negotiations and procure against central agreements. Procurement is done at both a national and regional level by SPAR Group. The SPAR Group operates 7 distribution centres including a group import centre which is used primarily for BuildIt stores.

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Woolworths

Woolworths Retail group turnover R27.7 billion (€2.6 billion) of which R17.2 billion is food (62%)

Employees
26,900

Market Share
8% share of the retail food market

Store type and Ownership
940 stores in 17 countries including 479 Country Road Stores in Australia.

461 Woolworths stores in total in the following formats:
- 197 Woolworths Clothing and General Merchandise
- 296 Woolworths Food
- 49 Engen franchise (forecourt store)

International Footprint
Currently 82 stores in 13 countries: Mauritius, Nigeria, Zambia, Tanzania, Uganda, Mozambique, Ghana, Nigeria, Kenya, Botswana, Lesotho, Namibia and Swaziland
| Product Range | Product Range is a premium focus product. Range of clothing, food and general merchandise, mainly under its own brand name. Very few brands are stocked in Woolworths stores. Products are similar in look and feel to Marks and Spencer Group. |
| Buying Practices | Products are purchased on a centralised basis for the whole group through head office in Cape Town. Woolworths have specific buyers for every section of the food and related products market. Divisions include New Products, Longlife and Fresh products with buyers for each of the subsections of these categories. Woolworths is known in the industry to be the strictest retailer in terms of quality and standards and suppliers face rigorous testing. Woolworths operates their entire business around a programme called Good Business Journey which is a sustainability strategy incorporating fair trade and sustainable production. |

**Cambridge Food**

**Turnover (2011/12)**
Targeting sales of R10 billion (€950 million) by 2015

**Market Share**
2%

**Store type and Ownership**
Cambridge Food is South Africa’s latest entrant into the retail grocery arena. Currently 27 stores with additional 7 stores. A further 16 stores will be added from the acquisition of Rhino Cash and Carry bringing number of stores to a total of 48. Targeting 100 stores by 2015

![Cambridge Food](image)

**International Footprint**
None at present

**Product Range**
Fresh food – vegetables, meat, bakery and take-aways. Basic grocery items

**Consumer Demographics**
Lower end of the market (LSM 2-7). The company’s website describes their customers as “characterised by high levels of unemployment, reliance on social grants as a primary source of income, and heavy dependence on taxis, trains and buses to travel between work and home.” Stores are located on or nearby high traffic commuter nodes and densely populated residential areas.

**Buying Practices**
Buying through Masscash channels (Walmart). Centralised distribution system in place.

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**Food Lover’s Market**

**Turnover (2012)**
Private company but turnover is estimated around R5 billion (€474 million)

**Store type**
Fruit & Veg's footprint is still relatively small, comprising about 100 stores in South Africa, and three each in Namibia, Zimbabwe and Reunion. Stores in Mozambique and Ghana will be added soon. The company is expanding rapidly opening around 10 stores per year in South Africa.
- Fruit & Veg City: Retailing fresh produce

![Food Lover’s Market](image)
- Food Lovers Market: Marketed as a food “emporium” stock a wide range of fresh food from produce to meat and fish, dairy products and breads.
- Freshstop @ Caltex (Forecourt Stores): one-stop shop for fruit and vegetables, snacks and take-aways
- Market Liquors: retail and wholesale both liquor and soft drinks

<table>
<thead>
<tr>
<th>Product Range</th>
<th>Fresh produce, meat, fish, confectionery, cheeses, dairy products, wines, sauces and condiments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying Practices</td>
<td>Centralised buying through head office in Cape Town. In order to stock a full product range 12 months of the year, they have an import and export division. In 3 years this division has grown to the biggest importer of fruit in South Africa and a large player in the exporting field as well.</td>
</tr>
</tbody>
</table>

### 4.2 General Merchandise

**Turnover (year ended 27 June 2013)**

R68.5 billion (€6.5 billion)

**Employees**

30 000 permanent and flexi-time staff

**Store type and Ownership**

Massmart comprises 9 wholesale and retail chains, and one buying group - 330 stores in total and 633 buying group members all focused on high-volume and low-cost distribution. The group operates 29 stores in 12 countries in sub-Saharan Africa through four operating divisions – Massdiscounters, Masswarehouse, Massbuild and Masscash. The company intends opening 90 new stores in the next 3 years. The various brands and store numbers are:

- 19 DionWired
- 114 Game
- 18 Makro
- 28 Builders Warehouse
- 27 Builders Express stores
- 30 Builders Trade Depot stores
- 75 CBW stores
- 27 Cambridge Food
- 6 Jumbo
- Shield Buying Group has 633 members and 686 outlets
## International Footprint

- **Game**: Botswana, Ghana, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia
- **CBW**: Botswana, Lesotho, Mozambique, Namibia and Swaziland
- **Shield**: Botswana, Lesotho, Namibia, Swaziland

## Product Range

Company operates under various brands: Game, Dion Wired, Makro, Builders Warehouse, Builders Express, Builders Trade Depot, CBW, Jumbo Cash and Carry, Cambridge Food and the Shield buying group.

- **Game & Dion Wired**: wide range of general merchandise, electrical appliances and non-perishable groceries.
- **Massmart aims to increase its exposure to food retailing through Game Foodco and intends expanding food penetration in Game stores to 40% of turnover in the medium term.**
- **Makro**: Massive warehouse-type stores with extensive range of food, liquor and general merchandise including appliances, sports, outdoor, DIY, and home entertainment.
- **Builders Warehouse, Builders Express, Builders Trade Depot**: comprehensive range of home improvement and gardening supplies, tools and building materials.
- **CBW, Jumbo Cash and Carry, Cambridge Food and the Shield buying group**: comprehensive range of food, ethnic cosmetics, liquor and groceries.

## Consumer Demographics

Diverse and broad consumer base that extends LSM 1 to LSM 10

## Turnover (year ended 28 August 2012)

R15.4 billion (€1.5 billion)

## Market Share

- **Retail pharmacy market share**: 16.1%
- **UPD**: 23.2% of the private pharmaceutical market

## Store type and Ownership

Over 600 stores under retail brands Clicks (412 stores), Musica and The Body Shop. Clicks Group is a leader in the healthcare market where Clicks has the largest retail pharmacy chain with over 300 in-store dispensaries, including a direct-to-patient courier pharmacy service, while United Pharmaceutical Distributors (UPD) is South Africa’s leading full-range national pharmaceutical wholesaler.

## International Footprint

Botswana, Namibia (Musica)
| Product Range                                                                 | - Clicks: specialist retailer of health, beauty and lifestyle products  
                                                                 | - UPD: full-line pharmaceutical wholesaler and supplies retail pharmacies, private hospitals, dispensing doctors and retail health stores  
                                                                 | - The Body Shop: global brand which markets naturally-inspired beauty products  
                                                                 | - Musica: music and related entertainment merchandise  
| Consumer Demographics                                                        | Middle to upper income market  
| Buying Practices                                                             | Each of the brands is responsible for their own procurement.  
| **Mr Price Group Limited**                                                    | ![Mr Price Group Limited Logo](image)  
| Turnover (year ended 30 March 2013)                                          | R13.3 billion (€1.3 billion)  
| Store type and Ownership                                                      | 1055 stores in the group across the following formats:  
                                                                 | - 384 Mr Price stores: Clothing, footwear, accessories, underwear and maternity wear  
                                                                 | - 53 Mr Price Sport: Sporting apparel, equipment, footwear and Accessories  
                                                                 | - 189 Milady stores: Classic and updated women’s clothing, footwear, intimate wear, cosmetics and accessories  
                                                                 | - 150 Mr Price Home: Home textiles, home ware, furniture and kids’ merchandise  
                                                                 | - 253 Sheet Street: Bedroom, living room and bathroomware  
                                                                 | - 26 Franchise stores  
| International Footprint                                                      | Botswana, Namibia, Swaziland and Lesotho with recent corporate store expansion into West Africa, namely Nigeria and Ghana. The Group has 26 franchise operations trading elsewhere in Africa namely Kenya, Malawi, Mauritius, Mozambique, Rwanda, Tanzania, Uganda and Zambia.  
| Product Range                                                                | Dependant on the store format: clothing, footwear, accessories, jewellery, linen, house wares  
<p>| Consumer Demographics                                                       | Tends to target the lower LSM groups. Mr Price is a value retailer |</p>
<table>
<thead>
<tr>
<th>Turnover (year ended 30 September 2012)</th>
<th>R12.9 billion (£1.2 billion)</th>
</tr>
</thead>
</table>

### Store type and Ownership

- **@home**: @home & @homelivingspace: retail home wares. 91 stores
- **Exact!**: retail clothing. 227 stores
- **Foschini Division**: Foschini, DonnaClaire, Fashion Express, Luella, Charles & Keith, hl. Retail women’s footwear and clothing. 541 stores.
- **Jewellery Division**: American Swiss, Sterns, Mat & May. Retail jewellery. 408 stores.
- **Markham Division**: Markham, Fabiani, G-Star Raw. Retail men’s clothing and footwear. 282 stores.
- **Sports Division**: Sportscene, Total Sports, Due South. Retail sportswear. 430 stores.

### International Footprint

- Botswana (16 stores), Lesotho (7 stores), Namibia (63 Stores), Nigeria (2 stores), Swaziland (4 stores), Zambia (12 stores).

### Product Range

- Clothing (67% contribution to turnover), jewellery (10%), Cell phones (9%), Cosmetics (6.5%), Home ware & furniture (7.5%).

### Consumer Demographics

- **Upper Income**: @home, @homelivingspace, Duesouth, Fabiani, G-star, Luella
- **Young & Trendy**: Mat & May, Sportscene, hl
- **Middle Income**: American Swiss, Charles & Keith, DonnaClaire, Foschini, Markham, Sterns, Totalsports
- **Value**: exact!, Fashion Express

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<table>
<thead>
<tr>
<th>Turnover (year ended 30 March 2013)</th>
<th>R26.7 billion (£2.5 billion)</th>
</tr>
</thead>
</table>

### Store type and Ownership

- 12 retail brands trading in 1233 stores in South Africa, Botswana, Namibia, Mozambique, Swaziland, Lesotho and Zambia. Edcon has recently introduced the UK brands TOPSHOP and TOPMAN in stand-alone stores to the South African market.
<table>
<thead>
<tr>
<th>International Footprint</th>
<th>Botswana, Namibia, Mozambique, Swaziland, Lesotho and Zambia. Expansion into Africa is mainly through the Jet, JetMart and Edgars Active formats.</th>
</tr>
</thead>
</table>
| Product Range           | - Clothing & Footwear: Edgars, Edgars Active, Jet, JetMart, Legit  
                          - Cosmetics: Red Square  
                          - Home wares: Boardmans  
                          - Stationery: CNA |
| Consumer Demographics   | The business is defined under three divisions based on the target market served:  
                          - Middle and upper income markets in the Edgars Division: Edgars, Boardmans, Edgars Active and Red Square  
                          - Middle to lower income markets in the discount Division: Jet, Jet Mart and Legit  
                          - CNA: stationery, books, games, movies and music retailer |

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### 5.0 South African Retail Footprint in Africa

The South African economy contributes 19% to the total African economy, one-third of sub-Saharan Africa's and nearly two-thirds of the Southern African Development Community (SADC) gross domestic product (GDP). This immediately places the country in a position of dominance vis-à-vis most others.
South Africa’s traditional isolation from the rest of the continent is belied by the fact that in the Southern African Customs Union (SACU), the country has had a decades old presence in virtually every sector of those economies. In addition, these countries account for the bulk of investment by South African businesses in the rest of the continent, by numbers of investments.

This scenario is changing fairly quickly as key South African companies expand into markets further afield, notably the greater Southern and East Africa region, and more recently into West Africa. According to the United Nations Conference on Trade and Development (UNCTAD), after Malaysia, South Africa is the second largest investor in Africa with US$18 billion of FDI stock on the continent. A good portion of this investment is flowing into non-traditional markets, such as Mozambique, Tanzania, Zambia, Kenya, Ghana, Nigeria and other key emerging African markets.

South Africa’s large retail companies in particular have been at the forefront of expansion into other African countries, although their presence outside of Southern Africa is still limited at this stage. Nonetheless, Shoprite, Pick ‘n Pay, Massmart, Spar, Woolworths, The Foschini Group and Mr Price have all expanded outside of their traditional markets in the last decade and all of these companies see Africa as a logical destination as the South African market matures and offers less growth opportunities.

Shoprite, for instance, has stated that it intends that 50% of all sales will eventually flow from its non-South African operations (including India), and has also committed to further expansions in African countries such as the DR-Congo, Ghana and others.

The following is a snapshot of each of the leading retailers’ footprint in other African countries. Between these South African-based retailers they have 517 outlets in other African countries.

<table>
<thead>
<tr>
<th>Retail Group</th>
<th>Number of Stores in the Rest of Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoprite</td>
<td>153</td>
</tr>
<tr>
<td>Pick ‘n Pay</td>
<td>104</td>
</tr>
<tr>
<td>Woolworths</td>
<td>82</td>
</tr>
<tr>
<td>Massmart</td>
<td>29</td>
</tr>
<tr>
<td>Clicks</td>
<td>9</td>
</tr>
<tr>
<td>Edcon</td>
<td>7</td>
</tr>
<tr>
<td>Edcon</td>
<td>7</td>
</tr>
<tr>
<td>Pepkor</td>
<td>3</td>
</tr>
<tr>
<td>The Foshini Group</td>
<td>104</td>
</tr>
<tr>
<td>Mr Price</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Annual Reports
6.0 Retail Trends

Understanding the lower LSMs

Research has shown that current growth in retail sales is not coming from the top end of the market but from consumers in the lower income groups and retailers are reporting their strongest sales performance from their low income stores. This is borne out by Massmart’s rapid roll out of Cambridge Food Stores which cater specifically for the low income market and by the AMPS figures reflecting the most popular retailers.

Forecourt retailing

Forecourt retailing is growing very quickly in South Africa. Generally the forecourt express stores stock between 1 500 and 2 500 product lines and stay open 24/7, catering to the convenience retail market. Trading floor sizes are small and typically vary between 150m² and 250m².

The last few years have seen South African retailers branching out into this retail format with direct collaboration with forecourt owners. Woolworths and Engen have signed a collaboration agreement and there are currently 49 Woolworths Express stores in Engen forecourts in 3 provinces. There are plans for a further 34 stores over the next three years.

Pick n Pay has signed a similar deal with BP and plans to convert 120 BP Express stores forecourts into Pick’ n Pay outlets over the next five years. Fruit & Veg City has signed an agreement with Caltex to roll out Freshstop at Caltex forecourt stores. There are currently 76 stores.

Private Label or Housebrands

Housebrands have shown rapid growth over the last few years as consumers have felt the pinch of the global financial crisis. A number of retailers have taken the opportunity to rebrand their housebrands and launch new housebrands. Currently, housebrands account for about 10.5% of retail sales. Whilst an impressive figure, this is still way below European levels which get to as high as 40% and there is still room for significant growth at this end of the market.

The private or own brand label market in South Africa is not yet saturated and is following international trends. Private Labels offer retailers an opportunity for differentiation in an increasingly competitive market and the number of products included in the private label category is increasing rapidly.

Interestingly not all housebrands are discount or budget items. Amongst its other housebrands, Pick ’n Pay has launched a “Finest” brand which includes high end luxury
products such as imported jams and biscuits, select single origin coffees and Pain au Chocolat. Spar has launched similar ranges which include ready-to-eat meals and high-end luxury products.

**The Walmart Effect**

The world’s largest retailer, Walmart, has recently purchased a controlling share in the South African retailer Massmart. Both analysts and the retail industry itself have been talking about the “Walmart Effect”, essentially the impact that a player of that size will have on the South African retail sector as a whole. The buying power of Walmart is enormous and there is a deep concern that the other South African retailers will simply not be able to compete on price. Walmart has already started shaking up the retail sector with a launch special on a wide variety of products where the prices were frozen for a 10 week period.

The “Walmart Effect” will also impact on the supply chain as retailers will be forced to cut out middle men and deal directly with suppliers. This will change the way that many are currently doing their procurement, especially of imported goods. It will probably accelerate the trend towards centralised distribution to further cut costs within the supply chain.

**7.0 Selling into the South African Retail Sector**

**Food, Beverage and Grocery Items**

The food retail market is dominated by four operators: Pick ‘n Pay, Shoprite-Checkers, Spar and Woolworths. Supermarkets account for approximately 55% of national food sales in South Africa, but make up only 2% of all food retail outlets. The remaining market share is held by wholesalers, traditional spazas (independent retailers in largely African townships and suburbs), tuck shops, and small independent retailers.

The large retailers import both directly and indirectly through local agents and specialist importers and traders. The import of perishable products such as vegetables, fruit, fish and meat require special treatment in that the maintenance of the cold chain is essential and companies dealing in these products require refrigerated warehouses and transport.

Due to the relatively short shelf-life of fresh fruits and vegetables, the retailers tend to purchase their requirements directly. Woolworths is particularly active in this area and a trip to a Woolworths store will reveal a range of imported produce including grapes from Spain and Egypt, Asparagus from Peru, Strawberries from Egypt, baby vegetables from Kenya and Zambia and Sharon Fruit from Israel. Although South Africa is relatively self-sufficient in fruits and vegetables, as the population becomes more sophisticated and global in their buying patterns, retailers such as Woolworths will try to ensure continued supply in South Africa’s
off-season of certain products. Woolworths will also procure specialist products such as Sharon Fruit or shitake mushrooms, which are not grown locally.

Fish and Meat products are generally imported by a handful of specialist importers that have the requisite infrastructure available to deal in these products. These companies will purchase what they can locally and will import the rest of their requirements. These companies then sell to the major fish wholesalers that will in turn supply caterers, small wholesalers, hotels, restaurants and retail outlets. The large retailers such as Woolworths have a direct relationship with the importers who will source their specific requirements internationally. Pick ‘n Pay has also outsourced supply into their fresh fish markets to a specialist wholesale distributor.

**Clothing, Footwear, Housewares**

As outlined earlier, a characteristic of the South African retail sector is that a handful of retail groups operate a large number of brand formats. A trip to a South African shopping mall will reveal a relatively large number of retail brands. However, on closer inspection these retail brands belong to a handful of operators.

Given the decline in local production of footwear and clothing coupled with South African consumer demand for a wide range of styles and colours, the large retail groups import a great deal of their requirements. Whilst China dominates this market segment, there is a market for high-quality, well-designed product from markets such as Italy.

The large retailers will often prefer to deal directly with suppliers especially on large volume items where they like to be in control of production and delivery cycles. It is also important for retailers to understand the quality and employment standards of their suppliers and a face-to-face relationship allows this understanding. On smaller and more niche items or on big brand items such as Nike or The Gap, the retailers are happy to deal with a local agent.

Most of the large retail groups have a housewares brand in their stable so Edcon has Boardmans Stores, Foschini has @home and Mr Price has Mr Price Home. The method of engagement with suppliers in this sector is the same as that outlined above for clothing and footwear.

**The Use of Agents and Distributors**

The use of agents to promote and represent non-perishable grocery items, footwear, clothing and other consumer goods is quite common in the South African retail sector and in some cases the retailers actually prefer dealing with local companies that are familiar with their processes. Most often, goods represented by agents have brand value either internationally or at least in the country of origin.
Agents generally take on the task of not only negotiating an order with a major retailer, but they would also take care of other tasks related to getting the product on the shelf. This would include taking care of customs clearance, port and rail charges, documentation, warehousing, and financing arrangements. They would also be responsible for adhering to regulations and control imposed on imported products. With some of the retail groups this role will include getting the products delivered to the particular store, and merchandising in-store.
8.0 Contact Details of Key Players

**Shoprite Holdings**
Cnr William Dabs and. Old Paarl Roads
Brakenhurst, Western Cape
Tel: +27 21 9804000
Fax: +27 21 9804050
Web site: [www.shopriteholdings.co.za](http://www.shopriteholdings.co.za)

**Pick 'n Pay**
101 Rosmead Avenue,
Kenilworth, Cape Town
Tel: +27 27 21 658 1000
Web site: [www.picknpay.co.za](http://www.picknpay.co.za)

**Spar**
Chancery Lane
Pine Town
Tel: +27 31 719 1900
Web site: [www.spar.co.za](http://www.spar.co.za)

**Woolworths**
Woolworths House, 93 Longmarket Street,
Cape Town 8001
Tel: +27 21 407 9111
Fax: +27 21 4073939
Web site: [www.woolworths.co.za](http://www.woolworths.co.za)

**Cambridge Foods**
19 Girton Road
Parktown
Tel: +27 11 532 3600
Web site: [www.cambridgefood.co.za](http://www.cambridgefood.co.za)

**Fruit & Veg City**
London Circle, Brackengate Business Park
Brackenfell, Western Cape
Tel: +27 87 740 9600
Web site: [www.fruitandvegcity.co.za](http://www.fruitandvegcity.co.za)

**Massmart**
Massmart House, 16 Peltier Drive,
Sunninghill Ext 6, Sandton
Tel: +27 11 517 0000
Fax: +27 11 517 0020
Web site: [www.massmart.co.za](http://www.massmart.co.za)
New Clicks Holdings
Cnr Searle and Pontac Streets,
Woodstock, Cape Town
Tel: +27 21 460 1222
Fax: +27 21 461 8221
Web site: www.clicks.co.za

Mr Price
Upper Level, North Concourse, 65 Masabalala Yengwa Avenue
Durban
Tel: +27 31 310 8000
Web site: www.mrpricegroup.com

The Foschini Group
Stanley Lewis Centre, 340 Voortrekker Road
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Tel: +27 21 938 1911
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