

value-added services **MONEY MARKET**



GERHARD HAYES
PROJECT MANAGER:
MONEY MARKET AND MEDIRITE

MONEY MARKET

Money Market forms part of the Group's non-core value-added strategy aimed at increasing consumer traffic in its stores. The main focus of the services offered is adding value to consumers' shopping experience by providing convenience and saving the consumer time, so turning outlets into destination stores. Research shows that 52% of all store visitors make use of the services offered by Money Market. These include the receipt of payments for utilities, insurance companies and other service providers, while consumers can also purchase airtime as well as bus tickets to anywhere in the country.

A low-cost money transfer service launched in April 2006, has found immediate acceptance with consumers as a completely secure, uncomplicated way of moving money in real time between any of the Group's 432 Shoprite and Checkers stores in South Africa. Up to R5 000 can be transferred at a time at a fee substantially lower than that charged by any other financial institution. Support for the service has grown exponentially, underlining the enormous demand in the Group's target market for such a facility provided at an affordable cost. Ultimately, the objective is to extend money transfers to the Group's supermarkets outside South Africa. The service is providing the Group with an extensive data base which will allow it to further expand its range of financial services.



During the reporting period the services of Computicket, South Africa's foremost ticket-booking agency acquired during the previous financial year, were expanded to every Shoprite and Checkers supermarkets while most of the standalone booking kiosks were retained. There are more than 500 Computicket outlets in South Africa. The expanded service enables consumers to book and buy tickets countrywide on an equal-opportunity basis for virtually every type of entertainment, whether theatre or cinema, sporting events or concerts. Bookings can also be made on-line, with the tickets collected from any Shoprite or Checkers supermarket or Computicket outlet.

By providing a cost-effective national booking service, the Group also assists smaller promoters and theatre managements to bring their productions to the attention of the public and in the process promote a viable, broad-based entertainment industry with positive spin-offs for the consumer.

The extension of the Group's Money Market services is supported by new and highly sophisticated software programmes that also provide complete compatibility between the terminals in the Money Market kiosks and the till points in the store. This will enable store management to switch selected till points to ticket-booking facilities to avoid congestion.

value-added services **MEDIRITE AND LIQUORSHOP**



JOSEPH BRONN
PROJECT MANAGER:
LIQUORSHOP



MEDIRITE

A further 12 in-store pharmacies were opened during the reporting period to bring the total to 44. Usually located near to store entrances, MediRite outlets fulfil an increasingly important function in providing accessibility to medicines to both the emerging market and those basing their shopping destination decisions on convenience.

The introduction of pharmacies in stores – the Group was the first to take advantage of the change in legislation in 2004 allowing non-pharmacists to own pharmacies – is in line with the Group's policy of extending the number of specialist departments to satisfy the widest spectrum of consumer needs. Located within the health and beauty section of stores, the presence of a dispensary also benefits the sale of other products in this category.

Despite uncertainty in the pharmaceutical industry, the Group remains optimistic about healthcare in South Africa and will continue to open new pharmacies in its supermarkets. The opening of new pharmacies is dependent on the granting of new licences and the availability of suitable pharmacists. Currently South Africa is experiencing a critical shortage of pharmacists, hampering the roll-out of new MediRites. The Group has an immediate target of 93 pharmacies.



LIQUORSHOP

One of the latest retail areas the Group has entered is liquor stores. The Group now has 18 outlets, having opened 11 during the period under review. LiquorShops are positioned as close as possible to the entrance to the supermarkets and those located in smaller shopping centres housing both the Shoprite and Checkers brands, have been well accepted by consumers.

The LiquorShops do not replace the wine departments within supermarkets, but extend the offering to consumers by providing, in addition to a selection of wines, also a choice of beers and a wide range of mainly premium spirits. Complementing items such as glassware and liquor gift sets are also offered. The format has been consistently refined since the first LiquorShop opened its doors two years ago, and today presents an unimposing shopping experience.

The LiquorShops are profitable and have proved effective in drawing additional consumers to the supermarket. Due to the Group's buying power these stores are highly price-competitive and all are well located to serve the emerging middle class.

The opening of new stores is dependent on when and where new liquor licences are granted, therefore no specific roll-out programme is followed. Nevertheless, the objective is to double the number of stores in the new financial year.

value-added services **FRESHMARK**



JOHAN VAN DEVENTER
GENERAL MANAGER:
FRESHMARK

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Freshmark, the Group's wholesale fruit and vegetable procurement and distribution division, reported outstanding results for a year distinguished by the ready availability of top-quality fresh produce. These results were achieved despite some major product lines experiencing strong deflationary pressures halfway through the year. Although profit margins were under pressure, the situation was resolved by aggressively building sales volumes on the back of extensive national and regional promotions. The division was able to end the reporting period well ahead of budget.

Profitability was improved by reducing distribution costs through the better utilisation of its fleet of more than 120 refrigerated trucks. The division is also profitable in all the African countries in which it does business.

Freshmark operates six distribution centres in the RSA and five outside its borders and supplies fresh produce to 604 stores in 16 countries. It services countries in Africa through local procurement and supply or by sourcing produce in South Africa or elsewhere in the world.

In South Africa direct purchases from some 800 fruit and vegetable producers increased during the past year. Whereas in 2006 this source represented 90% of total purchases it now represents 93%. More than 80% of suppliers are already EurepGAP-compliant while the others are working towards obtaining such accreditation.

To extend the season for local consumers, Freshmark also imports summer fruits from Europe as well as produce such as nectarines, peaches, plums, grapes and kiwi fruit during our winter months.

Furthermore produce is processed and packed either on supplier farms or in Freshmark's refrigerated distribution centres. Regular market

research and customer profiling ensure product ranges available in the Group's three food chains meet shoppers' needs. The involvement of Freshmark staff in the ranging, ordering, handling and display of fruit and vegetables in stores has been extended and regional managers oversee these functions with great success.

Advances in packaging are monitored on an ongoing basis while new product development is a crucial facet of growing the business. In line with international trends, the focus has shifted from selling ingredients to offering meal solutions. The range of affordable microwave-ready products, which has been extended to close on 30, has found wide acceptance with convenience-conscious consumers.

Freshmark's purchases from major local suppliers adhere to specifications in terms of varieties, size, packaging, quality and delivery times. The division is also steadily increasing the number of small producers from previously disadvantaged backgrounds, from whom it buys on a preferential basis, after giving assistance to achieve the required quality standards.

This assistance is even more extensive in countries in Africa outside the RSA where Freshmark follows a policy of buying locally as far as possible. The mostly small-scale farmers receive technical assistance as well as seeds for planting, and are provided with the assistance of major seed companies. In Zambia, which has progressed furthest of the non-RSA countries in which Freshmark has a presence, local farmers already supply almost all of its total vegetable requirements. Freshmark believes that it has put a winning recipe together in the fresh-produce industry and is looking forward to a successful new financial year.

value-added services **MEAT MARKET**



DIRK DIEMONT
GENERAL MANAGER:
MEAT MARKET

Despite challenging trading conditions during the first six months, the meat market division still managed to increase its contribution to the Group's trading profit and turnover during the financial year. The industrial action coincided with very high red meat inflation (especially beef) which placed pressure on margins and volume sales due to customers purchasing more poultry products as well as other cheaper cuts of meat. The beef inflation stabilised during the second six-month period, which contributed to a much stronger trading period.

There is a growing sophistication of the consumers served by the Group that is changing the nature of the South African retail meat trade. Whereas five years ago most of the meat purchased by the division was in the form of whole carcasses, today a significant and increasing proportion of purchases are in the form of primalised and value-added cuts.

During the reporting period the division's focus remained very strongly on innovation and the development of branded products that also promote a healthier lifestyle.

The Group's environmental concern is also reflected in a unique range of lamb cuts packaged under the brand Certified Natural Lamb. The lamb is sourced from certified farms in the Northern Cape whose owners have committed themselves to specific production standards and environmentally sustainable good agricultural practices. These farms are subjected to ecological audits periodically based on research

done at the University of Pretoria to provide independent verification of their continued adherence to the specifications and environmental sustainability. All the lamb can be traced from the meat market back to the farm on which the sheep were reared. All the meat markets are also independently audited to ensure only certified meat is sold under the Certified Natural Lamb label. The range is now available nationwide in Checkers stores and is already outselling some other popular meat brands. As an extension of the Certified Natural concept, Meat Market is investigating future opportunities that may exist along similar lines with beef.

During the year the division also reintroduced on a pilot basis in certain Checkers outlets goat's meat sold under the trademark Chevon. This forms part of a larger BBBEE project that the Group is undertaking, with the support of government at national and provincial level.