

# SHOPRITE

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# Shoprite thrust into Africa pays off

IN line with a strong operational performance, Shoprite is again the top-performing retailer in the Top 100 Companies survey, achieving a compound annual growth in value of 40.24% for its shareholders over five years. It was fifth overall, from ninth position a year ago.

An investment of R10 000 in 2006 would be worth R53 935 today. An investment in its competitor Pick n Pay would be worth R15 631, Spar R32 533 and Massmart R29 846.

Under difficult circumstances in the economy, Shoprite has continued to outperform many of its competitors, both in terms of its operational and its share price performance.

Expansion beyond SA is essential for fast-growing Shoprite to continue its trajectory. The country's biggest retailer operates in 15 other countries in Africa.

Shoprite has committed to 16 new supermarkets outside SA, its biggest rollout yet in Africa in a single year. By June next year there should be six stores in Nigeria alone.

During the year to June it opened 78 stores. Shoprite employs more than 95 000 people and has created



STUCK TO HIS GUNS: Shoprite CEO, Whitey Basson

7 000 new jobs in the past financial year, and more than 30 000 jobs in the past five years.

Usave, its store which caters for the lower-income market, was Shoprite's top performer with 19.1% growth. Checkers continued to attract more upper-LSM consumers and Shoprite dominated the middle class.

Shoprite CEO Whitey Basson was financial manager of Pep in the '70s and when Pep (owned by Christo Wiese) went into food and groceries, Basson was made managing director.

Shoprite's first acquisition was six Ackermans food stores in 1984.

In 1990 Shoprite bought Grand Bazaars for R43.3-million and the following year it bought Checkers.

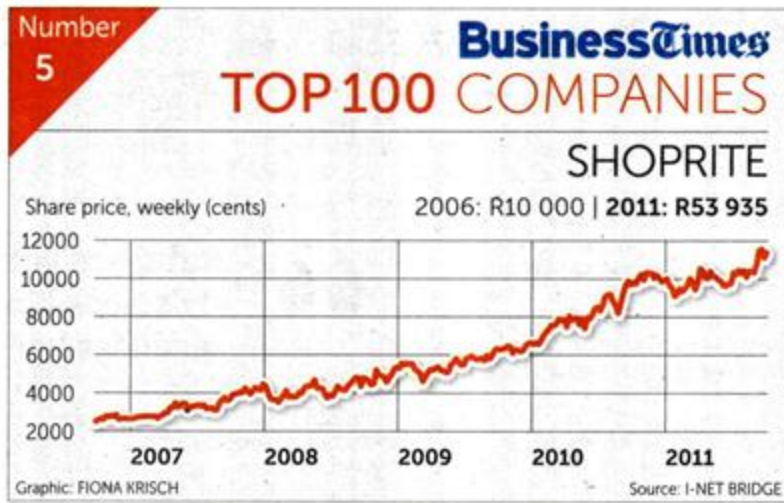
At the end of 1997 Shoprite bought the troubled OK Bazaars for R1.

In 2001 the decision was taken to market its major brands separately as Shoprite and Checkers and to reposition Checkers to appeal to a more affluent customer — a strategy that continues to improve its market share.

The group has benefited from spending millions on systems, expanding into Africa before other retailers did so, and investing in central distribution.

Basson said prices at Shoprite are the lowest across the 250 most-demanded products and it intends to stay the cheapest, although it could be at the expense of significant increases in its trading margin.

In its latest reporting period for the year to June, diluted headline earnings a share rose 12.4% on a 7.3% rise in turnover. This was in the context of a rise of 3.4% in consumers' disposable income and



a slight drop in Shoprite's food prices of 0.1%.

"Shoprite has been very focused and at the forefront of the biggest-growing segment of the market which has benefited from huge grants from government," said Evan Walker of Momentum Asset Management, referring to social grants to poor people.

"They've pushed the hardest in that space, much harder than any-

one else. They still have huge first-mover advantage in Africa over Walmart in food which will last a long time. Whitey always stood out and said they're not going to Australia.

"He said we're a mass market retailer for the African continent, and kept to that strategy and didn't deviate, building infrastructure and IT as the backbone of the business."