



04 June 2020

Welcome indeed to the upside down where the recovery in household wealth and the unemployment numbers are more or less inversely proportionate to each other. Cynicism aside, we continue to be heartened by the extent to which our great businesses are stepping up to the challenges of the crisis, helping keep communities fed and their shoppers or customers safe. And then there's some Woolies, a bit of Shakespeare, and more. Enjoy the read.

RETAILERS AND WHOLESALERS

COVID Catch-up

Sweet charity

Nice work from the Dis-Chem Foundation this week, which donated R450,000 to Afrika Tikkun, a Jewish-faith organisation established 25 years ago to redress some of the wrongs of Apartheid. The COVID crisis has required Tikkun to play more of a social support role; Dis-Chem's donation will enable them to produce and distribute more food parcels to impoverished communities. They have distributed 50,000 so far. Shoprite have also stepped up: since the start of lockdown, they have served over 90,000 meals every day (for a total of 5.5 million), including donations of surplus food worth R15m to over 240 vetted NGOs, and meals served from their mobile soup kitchens. Woolworths has intensified its focus in online shopping since the start of the crisis, with its better-heeled punters being increasingly open to home deliveries. They mentioned in a trading update (see below) that they had seen reduced footfall but increased basket sizes during the period.

Comment: There have been few highpoints during this pandemic. But the charity of the businesses in our great industry is a cause for sober celebration.

[Tatler Reporter 03/06/20](#)

Woolworths

Sunk costs head a little deeper

A trading update from The Dapper One, and like a home grocery delivery, lots to unpack. Then spray with disinfectant and wipe down. Sales, they reported, had fallen -17% in the eight weeks through April, with Fashion, Beauty and Home crashing to the tune of -61.4%. Down Under, meanwhile, not much better, with sales at David Jones and Country Road declining by -35.8%. New CEO Roy Bagattini? "We are committed to both businesses and are focused on executing our strategies to unlock and realise the potential in these businesses." Although he did confirm that the business would be looking at reducing both store numbers and sizes to turn things around in Australia. On to better things, though, better things being food, in which Woolies have established themselves as a world beater. Food sales grew +17.4% in the eight weeks in question and have remained strong through May.

Comment: Woolies' commitment to the Australian business – which was looking shaky before the pandemic and what is likely at best to be a deep global recession – defies logic and shakes the confidence of even the most enthusiastic analysts.

[Fin 24 28/05/20](#)

Forecourt

What next, personal videophones?

Come with us, if you will, on a journey to the Forecourt of the Future, where electric vehicles will extend the time that Tomorrow's Tech-savvy Travellers will spend refuelling their car, and where roadside convenience will not be the flustered, frantic affair it currently is. No: while you're filling your sustainably-sourced battery with renewably-generated wattage, you will enjoy all the excitement of a fully-fledged supermarket, Wi-Fi-equipped workstations, hot desks with meet and greet facilities, and even a coffee shop (OK, we already have those). "If you're looking to charge somewhere that doesn't mean hopping off and back on the highway, a forecourt shopping centre is a far more obvious choice," says Winstone Jordaan of GridCars, which reading between the lines, would appear to have a pony in this particular gymkhana. And we're not talking 2050 here. Witness Big Bird N1 Freeway Midrand, which already offers a pharmacy, a variety of dining options and online shopping pickup.

Comment: Of course, the current crisis has shown us that perhaps we don't need to be travelling as much as we once thought we did, so some of this, at least, may be moot. But we can dream.

[BizCommunity 26/05/20](#)

International Retailers

Green means go

Ah, the simple genius of Aldi, which is implementing an obvious but brilliant traffic light system that will automate the tedious process of letting punters into their stores at safe intervals. They're also going all-in on curbside pickup, adding 600 stores to the mix across the US in this troubled summer. In Ireland, going one step further and into 1984 territory (the book, obviously, not the haircuts and synthesizers) Tesco are firing up the 3D imaging technology to figure out exactly how many shoppers are stocking up on potatoes and shillelaghs at any given time, the better to operate their – you guessed it – traffic light system. Walmart, in the meantime, are jumping on the upscale thrift store model – likely to become increasingly popular as the global recession bites deeper – partnering with clothing and

accessories reseller ThredUp to bring second-hand kit to the retail behemoth's online offering. Definitely something there for local outfits to consider, surely? If you'll excuse the rather laboured pun.

Comment: If you've got a bob or two, you might want to squirrel it away into everything touchless retail – remote doors, queue management, whatever.

Tatler Reporter 02/06/20

MANUFACTURERS AND SERVICE PROVIDERS

COVID Catch-up

Overkilling them softly

Both AB InBev and Distell – no surprise here – saw their share prices jump (to the tune of +2.1% and +5.9% respectively) this week as the dear old South African Government lifted its ban on booze sales as we eased into Level 3 measures after two thirsty months. Those shares will need all the help they can get as the COVID recession hits ongoing sales. SABMiller, in the meantime, is stepping up to its duty to the taverns through which it sells so much of its product, with a range of measures up to and including physically equipping them for consumer contact, with cloth masks, face shields, and hand sanitisers *inter alia*. BAT, in the meantime, is suing the same Government over the extension of the ban on ciggie sales during level 3, which, it argues, has succeeded only in boosting the black market at the expense of legitimate businesses and the taxpayers they serve, to the tune of R35m lost to SARS every day.

Comment: The ban on booze and nicotine in the first couple of months have been a needless distraction from the Government's well-intentioned plan to flatten the curve and keep us safe.

Tatler Reporter 02/06/20

RCL FOODS

Chickening out

At a brief but presumably spirited meeting last week, RCL FOOD's minority shareholders voted 55% against a special resolution that would see the business forking out R149m to buy back shares from its top execs, and 54% against the ordinary resolution by which such buyback would be implemented. This leaves majority shareholder Remgro carrying the can, which they have magnanimously agreed to do by buying back the shares to ensure that management would be able to settle the tax liability resulting from the transfer of shares to the executives. "Clearly we don't want the management team to be faced with this tax liability when they have to manage a company in difficult times," explained RCL FOODS Chair and Remgro CEO Jannie Durand, who sounds like a dream boss. Remgro had decided to keep out of the vote and let the minorities decide the issue. Activist shareholders, something of an institution at South Africa's AGMs, expressed disgruntlement at the lack of disclosure on the performance conditions attached to the shares in question.

Comment: Sounds like a win-win to us. Governance in action.

Moneyweb 27/05/20

TRADE ENVIRONMENT

The Economy

Ka-ching.

It's inevitably a tale of two crises in the Beloved Country. On the one hand, the net wealth of South African households recovered +60% during the month of May. This off a low base: the net wealth of South African households fell by R828.2bn in the first three months of the year. The recovery results from the belief of investors that we're in for a short, sharp V-shaped recession, that a vaccine is even now brewing in some Swiss laboratory and will be winging its way to the world 7 billion-something souls by year's end, and that governments globally have the wherewithal to bail out businesses and keep consumers spending for the duration. These are the same beliefs that animate one Donald J. Trump; we leave it to our betters to assess them on their merits. And in the meantime, we are told, unemployment is likely to go over 50%, government debt is going through the roof, and we could be looking at GDP growth declining by -15%, and perhaps even double that.

Comment: "The markets have become untethered from economic – in fact even from actual – reality, and serve now only as a giant casino with an extra supply of oxygen." Discuss.

Tatler Reporter 02/06/20

THE WEEKLY GURU

"O, wonder!

How many goodly creatures are there here!

How beauteous mankind is! O brave new world,

That has such people in't!"

Miranda, *The Tempest*, William Shakespeare

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