

Choppies struggles to make its mark in tough SA conditions

By [Colleen Goko](#)

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Botswana-based Choppies may be a well-established grocery retail chain in many parts of sub-Saharan Africa, but the company has found the going tough in SA.



Choppies expanded its footprint into the local market in early 2015 and listed on the JSE's main board in May of that year. The grocer was touted as one of the continent's fastest-growing retailers and investor hopes were relatively high that it could forge its own path by offering a shopping experience different to that of Shoprite, Massmart or Pick n Pay.

But the intricacies of finding a business model that works for consumers in SA and the added challenge of an economy in a slump has meant that Choppies has struggled to find its footing.

While prospects for the company looked promising in its established regions, the picture remained murky for it in SA, Exotix equities analyst Anthea Alexander said.

"We are cautiously optimistic that indications of firmer commodity prices and better rainfall will contribute to slightly better growth in markets such as Zambia and Botswana," she said. "However, political and policy uncertainties remain a concern in SA and Zimbabwe and these economies are likely to endure another challenging year."

In the year to date, Choppies is down 7%, after falling 51% in 2016. Shoprite has risen 20.2% in the same time frame, while Pick n Pay has dipped by 4%.

Massmart's share price [has declined](#) by 14.05% in 2017, but rose 26.16% in 2016. Shoprite, which has the largest network of stores in SA, released a disappointing full-year [trading update](#) earlier in the week.

The group described trading conditions in SA during the second half as "challenging". In the year to 2 July, Shoprite said its South African operations increased sales by 10.1%, or 6.9% on a like-for-like basis. But if internal inflation of 5.9% was stripped out, the increase was a marginal 1%.

Choppies will report its full-year results in September. In March, its CEO, Ramachandran Ottapathu, said he was optimistic about the group's prospects and expected its South African operations to break even in 2017.

Source: Business Day

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