Retail sector gets shopped

Executives in the retail industry must be thinking "this all looks horribly familiar" as they contemplate the just-released draft terms of reference for the Competition Commission's inquiry into their industry...

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In 2011, the commission cleared the big four retailers - Pick n Pay, Shoprite, Woolworths and Spar - of price-fixing and other anti-competitive activities. The sector didn't get a completely clean bill of health as the commission raised concerns about long-term exclusive leases, information exchange, category management and concentration of buyer power.

On Friday, the Government Gazette contained the terms of reference for the inquiry referred to by Economic Development Minister Ebrahim Patel during his budget speech in parliament a few weeks ago.

It will be restricted to the grocery retail sector and can be expected to have a strong public interest dimension given the nature of the industry and the minister involved.

It will look at the effect of the growth of the big chains, structure of buyer groups and various regulations on small and independent retailers. And, with an eye on the recent outbreak of xenophobic violence, the "market inquiry" will also look at what is going on between local and foreign-owned small and independent retailers.

The effect of long-term exclusive leases, which restrict access to shopping malls by new entrants, will also be investigated. This might represent something of an overlap of effort given that the Competition Tribunal is considering a restrictive lease case.

The rush into another inquiry in this sector, given the limited evidence of anti-competitive behaviour, can only be justified by the new statutory - market inquiry - powers that were bestowed on the competition authorities in 2013.

This is unlikely to change the outcome but may lead to a better understanding of the sector. The possibility of Kate O'Regan, former Constitutional Court judge and head of the UN Internal Justice Council of the World Economic Forum, chairing the inquiry adds a much-needed element of authority.

Succession planning

Whatever the reason for the unexpected departure of David Constable from the top slot at Sasol - was it the board or the family? - shareholders will be hoping it won't take too long to find a replacement.

If the board is doing its job properly, then it shouldn't take long. The reality, of course, is that very few boards, not just in South Africa but across the globe, operate effective succession planning systems.

Even SABMiller, which is generally regarded as being stuffed to the gills with executive talent, has been unable to replace its finance director.

Jamie Wilson rather dramatically departed from SABMiller in February. It's been almost four months and still no sign of a replacement for him. Asked when an announcement on this front can be expected, the formal response is "within a few months". Perhaps it's a matter of being spoilt for choice, perhaps the SABMiller board is waiting to see whether or not AB InBev is going to pounce, but it is a disturbingly long delay for a global company of SABMiller's calibre.

Constable's departure from Sasol is troubling because he was so instrumental in focusing the group's growth plans on the US, which is much closer to home than Sasolburg. It would be a bit like Ian Moir deciding to exit Woolworths having just completed a multibillion-rand expansion in Australia.

The Sasol board now has to decide whether to replace him with another international executive, who might also move on after a few short years, or use some of the group's excellent home-grown talent.

US business magazine Forbes has come up with the intriguing idea of AB InBev, the world's largest and by far the wealthiest beer group, making a bid for Diageo rather than SABMiller. Forbes's idea was sparked by reports that 3G Capital Partners, a Brazilian private equity firm with a substantial stake in AB InBev, may be looking at Diageo.

Diageo is primarily a spirits business, but it does have attractive beer assets, particularly in Africa, where beer accounts for 70% of its revenue. Its beer brands include Guinness, Kilkenny, Tusker and Serengeti.

The beer market in Africa is not only one of SABMiller's star performers, it is expected to be a growing contributor to group profits in the years ahead. Forbes notes that large set-up costs are obstacles to new entrants in this market. By acquiring Diageo, AB InBev would avoid these obstacles and have a strong partner to compete against SABMiller.

Two heads not better than one

This week's announcement of the almost simultaneous decision by Deutsche Bank's two German CEOs to quit may have caused a few flutters in Standard Bank's executive suite. The two CEOs have been in place since 2012, which has been a difficult period for most of Europe's major banks.

But in recent months, things have rapidly gone from bad to worse. With John Cryan in the hot seat, Deutsche's board must now be hoping one head will be better than two.

Source: Business Times