

# Massmart feels 'consumer plight'

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At its annual general meeting last week Massmart highlighted the plight of consumers as debt, mounting costs and unemployment continue to curb spending in South Africa.



Massmart's new Chief Executive Guy Hayward. Image: Massmart

The retailer, which has offerings across all income levels, said sales rose 9% in the first 21 weeks of its financial year. Comparable sales growth was at 7%, with a financial year-to-date sales inflation running at 4.5%.

"For the remainder of the year, we are hopeful that the current sales performance continues, though economic data seems not to support this," the company said.

"Consumption expenditure by households is expected to remain constrained in the face of continued weakness in credit extension," Reserve Bank Governor Gill Marcus said last month. Rising inflation, high consumer indebtedness and the effects of the mining strike are adding to strain.

Massmart's general merchandise category came under the worst pressure, increasing sales by 3.6% on a comparative basis and signalling things are still tough for the South African middle-income consumer."

On the other hand, food and liquor sales were the strongest, growing 8.5% and with gains in market share.

## Game and DionWired

Massdiscounters, which includes Game and DionWired, saw sales advance 6.9% and 3.9% respectively. Sales of so-called

"big ticket" items or durable goods tend to fall when economic pressure heightens forcing companies to discount merchandise to drive volume.

Over the period, Massmart's food wholesale business, Masscash, gained 8.2% and 7% on a comparable basis. At Masswarehouse, which includes Makro and Fruitspot, total divisional sales increased 12.2% and comparable sales advanced 9%. At Massbuild, whose brands include Builders Warehouse and Builders Express, sales rose 14.9%.

"All divisions are performing satisfactorily, other than Game South Africa where comparable sales growth is 0.5% and margin pressure remains. We are feeling more confident that the strategy being implemented is starting to show in operating performance, albeit not yet in financial performance," the group said.

Along with sprucing up stores, Massmart is pushing greater food participation in Game, reducing electronics and introducing categories like baby and clothing.

## **Africa expansion**

With its supply chain investment phase now behind the Walmart-owned group, its focus has moved to opening high-return stores, and closing terminally loss-making ones. It has opened 14 outlets this year, including three conversions and two relocations, and closed six stores.

Africa expansion remains a priority for Massmart. Last week it opened a Game store in Kano, Nigeria. Urbanisation has led to the growth of formalised retail markets, fuelling an upsurge of consumer culture in most of Africa's fast-growing cities. Retailers are targeting a mushrooming middle-class.

As it moves into the rest of Africa, Massmart will create "power centres" - pieces of company-owned land that will enable the retailer to put down various store formats.

This is largely to get around the sluggish pace of property development and exorbitant price of property in Africa, which is proving a significant expansion hurdle for all retailers. Other than its East and West African focus, the group opened a discount supermarket in Nigeria last year. It is eyeing at least 10 of these outlets in the next two years in Lagos.

Guy Hayward takes the reins as Massmart's Chief Executive from Monday (2 June). The company also has a new chairman, Kuseni Dlamini, who replaces Mark Lamberti.

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