

Shoprite wins market share as rivals struggle

Shoprite, South Africa's biggest supermarket group, reported a 7.6% rise in half-year profit on Tuesday, 5 March 2024, and continued to win market share from struggling rivals with its competitive pricing.

By Nqobile Dlodla 6 Mar 2024



Source: Reuters/Afolabi Sotunde

The retailer, which has more than 3,500 stores across Africa, has been gaining market share at the expense of competitors Pick n Pay and Spar, while pushing into the higher-margin upmarket niche dominated by Woolworths.

Shoprite said customer visits rose by 6.9% and item volumes by 5.1%, with market share gains of R4bn in the 26 weeks ended 31 December 2023.

According to Pick n Pay, South Africa's formal food and grocery market stood at R628bn in 2021.

This extended its uninterrupted market share gains in its core South African supermarket business to 58 months.

Group sales rose by 13.9% to R121.1bn, with sales at Supermarkets South Africa, which accounts for over 80% of the group's revenues, growing ahead of the market by 14.6% to R97.5bn.

Sales at discount brands Shoprite and Usave and upmarket brand Checkers also grew by double digits.

The core business also benefited from the acquisition of 94 stores from Walmart-owned Massmart.

Shoprite said it continued to absorb some of the rising costs to shield customers, with its selling prices up 7.7% in the period, compared with the official national food inflation of 8.7%.

"We took a decision not to pass the price increases as fast onto the consumers as they were passed onto us," Pieter Engelbrecht, group CEO told investors.

With some of the input costs coming down, the group grew gross margin slightly to 23.6%. Its diluted headline earnings per

share came in at 621.4 cents.

Engelbrecht said the group had identified new sales opportunities in categories such as personal care, general merchand and healthcare, where there was still room for growth.

"There lies a good growth for us in the grocery business. (We need to) just get those categories up to where our average market share is for the group," he said.

ABOUT THE AUTHOR

Reporting by Nqobile Duda; Editing by Kim Coghill, Eileen Soreng and Tomasz Janowski

For more, visit: <https://www.bizcommunity.com>