

RETAIL  
INDUSTRY

75  
YEARS



# THE INTELLIGENCE REPORT

OLDMUTUAL

CORPORATE

JUNE 2020

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# **RETAIL INDUSTRY INTELLIGENCE OVERVIEW**

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# RETAIL INDUSTRY INTELLIGENCE OVERVIEW

## GLOBAL NEWS

### US Retailers Close Amid Violent Protests

Retailers and other businesses across the United States (US) are currently experiencing immense damage and theft at their stores, which form part of the current protests over the death of George Floyd, who died while in police custody. These damages are exacerbating an already difficult economic situation, resulting from the COVID-19 crisis. (2 June 2020)

### Apparel Retailers Face Significant Loss of Earnings

Moody's recently reported that apparel and footwear retailers are currently experiencing a sector-wide financial shock. It is estimated that apparel retailers' earnings (EBIDTA) could decline by more than 100% in 2020, when compared to 2019. (22 May 2020)

### Facebook Launches E-Commerce Platform for Small Businesses

As e-commerce gains in popularity amongst consumers due to the COVID-19 pandemic, Facebook is hoping to capitalise on consumers' new online shopping habits with the launch of Facebook Shops. This new feature aims to help small businesses transform their social media pages into digital storefronts. (20 May 2020)

## SA NEWS

### Agility is Key to Success in Online Retail

As more consumers are turning toward online shopping, to avoid contact with others during the COVID-19 pandemic, e-commerce channels have grown immensely in SA. Consequently, many retailers had to rapidly piece together online offerings, which has created great potential for growth and innovation within the retail and e-commerce industry. (10 June 2020)

### Independent Mid-Sized Retailers in SA Unite to Fight for Survival

In the midst of the COVID-19 pandemic, more than 50 SA retailers have united, to form the Mid-Sized Independent Retailers (MIR) Group. The group has been formed to ensure the survival of medium-sized, non-essential retailers during the pandemic, with the key objective of avoiding the permanent closure of these businesses. (21 May 2020)

### COVID-19 Causing Shifts in Consumer Behaviour

As a result of the increasing amount of time spent by SA consumers in lockdown, behaviours have changed significantly, particularly due to restrictions placed on movement. It is likely that these adjusted behaviours will form long-term habits in terms of consumption dynamics, particularly within key areas. (14 May 2020)

## COMPANY NEWS

### Woolworths Making Puffer Jackets from PET Bottles

As part of Woolworths' commitment to sustainability, the company has announced that it will be converting more than one million plastic 500ml PET bottles into recycled polyester, to be used to make its puffer jackets' inner "wadding". This forms part of the company's sustainable 2020 winter fashion range. (3 June 2020)

### NetFlorist Transforms Product Offerings in 36 Hours

NetFlorist, one of South Africa's oldest online retailers, has reacted to the nationwide lockdown by transforming its product offerings, in just 36 hours. In particular, the company has adjusted its traditional gift and flower delivery services to also offer essential products. (3 June 2020)

### Under Armour Implements New Strategies Amidst COVID-19

The COVID-19 pandemic, and its accompanying restrictions, have required companies to adapt in order to stay afloat. As part of efforts to adapt to the changing business landscape, Apollo Brands, the official distributor of Under Armour, have introduced new shopping methods designed to boost customer affinity. (26 May 2020)

## COMPANY FINANCIAL RESULTS

### Pepkor Holdings Limited

According to Pepkor Holdings Limited's unaudited interim results for the six months ended 31 March 2020, the group's revenue increased by 6.5%, reaching R37.6 billion in 2020. The group's operating profit before capital increased by 17.2% to R4.0 billion in 2020. (27 May 2020)

### Dis-Chem Pharmacies Limited

According to Dis-Chem Pharmacies Limited's provisional reviewed annual consolidated financial results for the twelve months ended 29 February 2020, the group reported an increase in revenue of 12.0%, from R21.4 billion in 2019 to R24.0 billion in 2020. The company indicated that the positive revenue growth occurred, despite a challenging consumer environment. (20 May 2020)

### Pick n Pay Stores Limited

According to Pick n Pay Stores Limited's reviewed preliminary consolidated results for the 52 weeks ended 1 March 2020, the group's comparable turnover increased by 4.7% from R87.2 billion in 2019, to R89.2 billion in 2020. In SA, comparable turnover increased by 5.1% during the same period. This growth occurred, despite the challenging operating environment and was driven by net new stores, which added 3.2% to sales growth. (12 May 2020)





# RETAIL INDUSTRY INTELLIGENCE OVERVIEW

## MERGERS, ACQUISITIONS & PARTNERSHIPS

### Pick n Pay Partners with BOTTLES for Grocery Deliveries

In an attempt to generate revenue, the well-known supermarket giant, Pick n Pay, and an alcohol delivery company, BOTTLES, have partnered to support each other in generating revenue during the national lockdown. (5 June 2020)

### Dis-Chem Plans to Buy Baby City

Dis-Chem, the well-known pharmacy group, and Baby City have entered into a conditional agreement to buy the Aronoff family business for R430 million. This acquisition is described as a great cultural fit for the company, with Dis-Chem having targeted Baby City for numerous years. (15 May 2020)

### Game Partners with Uber Eats to Improve Customer Delivery

The well-known retailer, Game, and third-party delivery service, Uber Eats, have formed a partnership to assist with delivering various groceries and products. Some of the products Game offers on the Uber Eats platform are surprisingly price-competitive, with a few items being cheaper than at competitor stores. (12 May 2020)

## INNOVATION & TECHNOLOGY TRENDS

### New SA App Ensures Safer Shopping

ShopSafe, a new app that allows customers to access up to date information on vehicle attendance at shopping destinations, has been launched by Tracker and Lightstone. This app aims to minimise the exposure of shoppers to large crowds, by providing information on when it is safest to take their next shopping trip. (27 May 2020)

### Nedbank Releases New 'Super App' to Access Safer Online Shopping

Nedbank has launched a new 'super app', Avo, that will provide customers access to essential services and online shopping from a variety of merchants. The app will allow customers to shop in a virtual environment, where they can purchase service offerings and products which are supported by safe and secure payments, artificial intelligence, and bank-grade security. (19 May 2020)

### Pick n Pay Automates IT Finance System with Nebula's OneView

Pick n Pay has automated its Information Technology (IT) Finance system with the use of OneView from Nebula, a Microsoft Azure-based solution. The new software allows Pick n Pay to automate and expedite the generation of billing reports, as well as streamline the cost allocation and recovery process. (15 May 2020)

## SOCIO-POLITICAL FACTORS

### Well-Known Global Brands Stand Together for Racial Justice

Racial injustice has been a key topic on social media over the past week, which has been brought on after the death of George Floyd in police custody. This has resulted in various fast food chains, brands, and retailers worldwide taking to social media in support of the Black Lives Matter movement and pledging money to racial justice organisations. (4 June 2020)

### Woolworths Helps to Fight Hunger During COVID-19 Crisis

The well-known retailer, Woolworths, has introduced its Fill a Bag campaign in reaction to the increased number of families in need, due to COVID-19 crisis. Woolworths, along with Gift of the Givers, has launched this campaign, to assist families in need with a bag filled with food, that will feed a family of five for two weeks. (28 May 2020)

### Nando's Support for the Needy

Nando's, the well-known fast food chain, has been doing its part in supporting the needy during the difficult times brought on by the COVID-19 pandemic. As such, Nando's has partnered with the Solidarity Fund, in an attempt to help and support those in need. (26 May 2020)

## LEGISLATION

### Alcohol Ban Finally Lifted

Since 27 March 2020, the sale of alcohol has been strictly prohibited during the national lockdown. However, the government adjusted lockdown regulations to open up the sale of alcohol at certain times, effective from 1 June 2020, when level three lockdown commenced. (24 May 2020)

### Government Allows E-Commerce to Continue

The Department of Trade, Industry, and Competition (DTIC) released new regulations on the 14th of May 2020, stipulating that SA online retailers are now allowed to sell any products, except alcoholic beverages and cigarettes. This move is set to enable the phased opening of the economy and will minimise the movement of consumers at crowded retail spaces. (15 May 2020)



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# GLOBAL NEWS

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# GLOBAL NEWS

## US RETAILERS CLOSE AMID VIOLENT PROTESTS

2 June 2020

Retailers and other businesses across the United States (US) are currently experiencing immense damage and theft at their stores, which form part of the current protests over the death of George Floyd, who died while in police custody. These damages are exacerbating an already difficult economic situation, resulting from the COVID-19 crisis, that has had a significant impact on retailers that have already experienced significant losses.

As a result of the damage being done, several retailers across the US have been forced to close their doors due to severe violence, theft, and broken windows that have occurred recently. As an example, Walmart closed several hundred outlets, whilst Amazon has adjusted its routes and scaled back on delivery operations in some cities, in order to protect its delivery drivers. Other major retailers also affected include both Apple and Target, which have also opted to close outlets in different areas.

These store closures come after many US retailers were forced to halt operations for weeks, due to the restrictions on movement that were imposed, to protect customers from the spread of COVID-19. Operations were cut back or halted completely, which has resulted in some companies filing for bankruptcy.

Global data retail analyst, Neil Saunders, indicated that the impact of the damage caused by the protests will be lessened for larger retailers such as Apple and Target, due to their ability to repair and temporarily close stores. However, for small businesses, insurance money may not be sufficient to endure the protest damage to their business, in combination with the COVID-19 pandemic.

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## APPAREL RETAILERS FACE SIGNIFICANT LOSS OF EARNINGS

22 May 2020

In a recent report by Moody's, it was reported that global apparel and footwear retailers are currently experiencing a sector-wide financial shock that may continue into 2021. It is estimated that apparel retailers' earnings (EBIDTA) could decline by more than 100% in 2020, when compared to 2019.

Furthermore, it is expected that the continuous decline in earnings for the industry could continue into 2021, with earnings predicted to be 15% to 35% lower, when compared to 2019.

Many factors have had a negative impact on global apparel retailers since the start of 2020. Some of these factors include declining foot traffic to malls, over-supply of clothing, and declining consumer spending.

In 2019, 10 major apparel and/or footwear retailers went bankrupt, a situation that has been worsened, with the already precarious market now currently facing additional challenges, due to the COVID-19 crisis. The COVID-19 crisis has accelerated certain trends that are currently reshaping the industry, including store closures, e-commerce, and the trend of casualisation.

The loss of earnings is likely to leave many apparel retailers vulnerable to bankruptcy, downgrades and financial hardship, all of which will make it much harder to modernise and adapt to the shifting market.

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## FACEBOOK LAUNCHES E-COMMERCE PLATFORM FOR SMALL BUSINESSES

20 May 2020

As e-commerce gains in popularity amongst consumers, due to the COVID-19 pandemic, Facebook is hoping to capitalise on consumers' new online shopping habits with the launch of Facebook Shops. This is a new feature on the Facebook platform, that aims to help small businesses in the United States (US), transform their social media platforms into digital storefronts.

Facebook Shops has many features designed to aid businesses during the COVID-19 crisis. Shops will function as an online catalogue for businesses, which then requires customers to exit the Facebook platform, in order to complete the purchase on a separate website.

However, Facebook is currently testing Facebook Checkout, which will be able to handle sale transactions, removing the need to leave the platform to complete their purchase. Facebook will charge a commission on transactions processed through Facebook Checkout, although the fee structure is yet to be determined.

Another advantage to the Facebook Shops platform is that it also allows businesses to communicate directly with their customers online through WhatsApp, Messenger, and Instagram.

The launch of these platforms is set to give Facebook an opportunity to compete against companies such as Amazon. Facebook Shops is also set to potentially make up for the losses that Facebook is experiencing, from its core mobile advertising business, due to the COVID-19 crisis.

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# SA NEWS

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# SA NEWS

## AGILITY IS KEY TO SUCCESS IN ONLINE RETAIL

10 June 2020

As more consumers are turning toward online shopping, to avoid contact with others during the COVID-19 pandemic, e-commerce channels have grown immensely in SA. Consequently, many retailers had to rapidly piece together online offerings, which has created great potential for growth and innovation within the retail and e-commerce industry.

In order to successfully transition to online retailing, retailers must consider a few key elements that will propel growth. Firstly, as the pandemic ignited new online retail competition, retailers will need to gain consumer loyalty, by differentiating their services and offering through same-day delivery, easy return policies, or personalised offerings. Secondly, e-commerce providers and retailers will need to adopt an agile approach, that works closely with logistics partners and other suppliers, to ensure quick and efficient responses to disruptions in the value chain.

Furthermore, established brick and mortar retailers will have to better their omnichannel approach, by offering an online platform that ensures ongoing brand loyalty and success. However, with the successful implementation of retail omnichannels often requiring sophisticated technology, online retailing success will require a powerful data capture and management strategy, as well as increased use of Internet of Things (IoT) systems.

Overall, as SA retailers plan to grow in an increasingly competitive market, their ability to use the online digital sphere, as well as responsive technology and software, will be important in determining their success in the coming months.

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## INDEPENDENT MID-SIZED RETAILERS IN SA UNITE TO FIGHT FOR SURVIVAL

21 May 2020

In the midst of the COVID-19 pandemic, more than 50 SA retailers have united, to form the Mid-Sized Independent Retailers (MIR) Group. The group has been formed to ensure the survival of medium-sized, non-essential retailers during the pandemic, with the key objective of avoiding the permanent closure of these businesses.

The MIR Group consists of retailers such as Cape Union Mart Group brands, Dial-A-Bed, Toys R Us, Hi-Tec SA, Exclusive Books, Coricraft, and Trappers, amongst several others. Collectively, these retailers account for approximately 2 300 outlets in SA and employ more than 21 000 people.

The majority of retailers in the group had experienced significant declines, in terms of sales, in the week preceding the implementation of lockdown in March, when compared to the same week in 2019. In response to the lockdown regulations, the group has argued that medium-sized retailers cannot be treated the same as national listed retailers, as they do not have sufficient access to capital and liquidity, or economies of scale.

As part of efforts to ensure the survival of mid-sized retailers, the group presented its terms to the Property Industry Group (PIG). One of the proposals was for all MIR tenants to receive rental relief for a period of at least six months. In addition, it was also proposed that rental amounts be turnover-based and be supported by a minimum guaranteed rental, which can be negotiated between tenants and landlords.

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## COVID-19 CAUSING SHIFTS IN CONSUMER BEHAVIOUR

14 May 2020

As a result of the increasing amount of time spent by SA consumers in lockdown, behaviours have changed significantly, particularly due to restrictions placed on movement. It is likely that these adjusted behaviours will form long-term habits in terms of consumption dynamics, particularly within key areas.

Changes in local consumer behaviour have been identified, which will be particularly important for retailers to consider, as they attempt to rebuild their businesses. These changes include re-shaped wallets, rebalanced repertoires, and changes in the composition of the goods baskets of consumers, with regards to fast-moving consumer goods. Additionally, changing product needs, reprioritised brand values, matters of origin, and the influence of brand on affinity were also identified.

Considering these areas, during the initial rebound stages, consumers may engage in increased discretionary spending. Additionally, out of home consumption is likely to remain constrained, due to social distancing measures.

Consequently, home-based economies are likely to benefit at the expense of out-of-home money allocation. This is illustrated by the fact that 66% of South Africans have indicated that they have reduced shopping in supermarkets, while 65% have reduced shopping in spaza shops.

Furthermore, health, safety, and quality assurances will remain significant choice drivers. It is also expected that consumers will place greater importance on product attributes such as hygiene, efficacy, and immunity, ahead of environmental and sustainable product claims.

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# COMPANY NEWS

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# COMPANY NEWS

## WOOLWORTHS INTRODUCES PUFFER JACKETS MADE FROM PET BOTTLES

3 June 2020

As part of Woolworths' commitment to sustainability, the company has announced that it will be converting more than one million plastic 500ml PET bottles into recycled polyester, to be used to make its puffer jackets' inner "wadding". This forms part of the company's sustainable 2020 winter fashion range, with the puffer jacket's shell and lining also both being made from 40% recycled nylon.

These puffer jackets are made with approximately 80% recycled fabric, including the zip tape. Furthermore, by using the recycled polyester for its puffer jackets' inner "wadding", the company is offering an alternative material to wearing goose down, which is commonly used as inner wadding material.

In addition to the puffer jackets, the company has indicated that it will also make use of recycled PET bottles in the manufacturing of other products, such as duvet fill, packaging, and reusable shopping bags. The manufacturing of these products and materials will use more than one million recycled 500ml PET bottles.

The company had previously used recycled polyester in the manufacturing of its denim jeans. Furthermore, Woolworths will make use of recycled polyester for its puffer jackets and gilets, as well as some polar fleece products across its ladies', men's, and kidswear ranges.

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## NETFLORIST TRANSFORMS PRODUCT OFFERINGS IN 36 HOURS

3 June 2020

NetFlorist, one of South Africa's oldest online retailers, has reacted to the nationwide lockdown by transforming its product offerings, in just 36 hours. In particular, the company has adjusted its traditional gift and flower delivery services to also offer essential products.

The company has expanded its offerings to include fruits and vegetables, which was made possible by a partnership with Fruitspot, a fresh produce wholesaler and distributor. This has enabled NetFlorist to sell and deliver boxes of fruit and vegetables from 1 April 2020.

In addition, the company has also partnered with Makro to sell an expanded portfolio of groceries, which includes pantry and refrigerator essentials. The company was able to offer some of Makro's core range products, through their website, which are also available for delivery.

However, the expansion of product offering by NetFlorist has resulted in some challenges, with NetFlorist's system not being designed to cater for orders with large quantities of goods. The company has since, successfully adjusted their existing system, to cater to expanded customer demands and needs.

NetFlorist co-founder and Managing Director, Ryan Bachner, is cautiously optimistic about the business in the short term, particularly following the recent lifting of e-commerce restrictions by the government.

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## UNDER ARMOUR IMPLEMENTS NEW STRATEGIES AMIDST COVID-19

26 May 2020

The COVID-19 pandemic, and its accompanying restrictions, have required companies to adapt in order to stay afloat. As part of efforts to adapt to the changing business landscape, Apollo Brands, the official distributor of Under Armour, have introduced new shopping methods designed to boost customer affinity.

The company has introduced four new ways customers can shop for Under Armour products, which include virtual shopping, private store bookings, private corporate shopping experiences, and driveway ninjas. More specifically, driveway ninjas involve providing consumers with a private shopping experience in their own home.

The development and introduction of these new ways of shopping have been driven by Apollo Brands' five core values, which have proven crucial to the retail experience during times like these. These core values have been rolled out since the beginning of June, with the five C's including: consideration, conservative, cautious, convenience, and community.

Gareth Kemp, the Managing Director of Apollo Brands, emphasised the importance of how brands conduct themselves during times of crisis, and that this would determine customer affinity for years to come. Furthermore, he stated that now is the time to think beyond the bottom line and form partnerships with society.

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# COMPANY FINANCIAL RESULTS

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# COMPANY FINANCIAL RESULTS

## PEPKOR HOLDINGS LIMITED

27 May 2020

According to Pepkor Holdings Limited's unaudited interim results for the six months ended 31 March 2020, the group's revenue increased by 6.5%, reaching R37.6 billion in 2020. The group's operating profit before capital increased by 17.2% to R4.0 billion in 2020.

Despite the increase in revenue and operating profit, headline earnings per share decreased by 13.6% during this period, reaching 44.3 cents per share. During the period, Pepkor opened 145 new stores, with a total of 5 498 stores.

The company's performance was underpinned by its focus on customer needs and its low costs of doing business. Nonetheless, the company cited challenges within the retail environment, including low consumer spending, high unemployment levels, load shedding, and low economic growth. It was indicated, that this challenging environment was further exacerbated by the COVID-19 pandemic and the government imposed national lockdown.

Furthermore, the company indicated that it expects the retail sector to continue to experience challenging times, due to the effect of COVID-19 and lockdown measures. However, the company remains confident in its market position, and that it will gain market share in the post-COVID-19 'new economy'.

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## DIS-CHEM PHARMACIES LIMITED

20 May 2020

According to Dis-Chem Pharmacies Limited's provisional reviewed annual consolidated financial results for the twelve months ended 29 February 2020, the group reported an increase in revenue of 12.0%, from R21.4 billion in 2019 to R24.0 billion in 2020. The company indicated that the positive revenue growth occurred, despite a challenging consumer environment.

Retail revenue increased by 11.0%, reaching R21.8 billion in 2020, with comparable store revenue at 4%. During this period, the group added 18 stores to their portfolio and acquired three additional pharmacies. However, retail revenue decreased by 20.9% during level five lockdown, due to restricted sales of all product categories. Following the move to level four lockdown, the company's retail revenue has increased by 2.8% between 1 May and 16 May 2020, when compared to the corresponding period.

Additionally, external wholesale revenue grew by 23.3% during the period. This growth was due to the successful acquisition and integration of the Western Cape wholesaler, Quenets, which has contributed revenue of R271 million. Furthermore, the company's wholesale business experienced growth before, and during, the COVID-19 period, with pharmacy, healthcare, and nutrition revenue increasing during this time.

The company expects that consumer spending will remain constrained, with the full impact of COVID-19 still being unclear. Furthermore, the company indicated that it has a strong balance sheet and is ready to continue to adapt to the changing environment.

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## PICK N PAY STORES LIMITED

12 May 2020

According to Pick n Pay Stores Limited's reviewed preliminary consolidated results for the 52 weeks ended 1 March 2020, the group's comparable turnover increased by 4.7% from R87.2 billion in 2019, to R89.2 billion in 2020.

In SA, comparable turnover increased by 5.1% during the same period. This growth occurred, despite the challenging operating environment and was driven by net new stores, which added 3.2% to sales growth. The group's sales growth was especially prominent in its new Boxer supermarket, as well as amongst Pick n Pay clothing stores. The positive volume growth in this market was driven by the ability of the company to offer good quality and value.

The group restricted the selling price inflation to 2.6% year-on-year, which was well below the 3.6% general food inflation. Additionally, the group displayed tight gross profit margin management, with an increase of 0.6% to a total of 19.7%. This was despite sustained price investment, along with the margin impact of supply chain labour disruption, during the last quarter of the year.

Pick n Pay Stores Limited indicated that it prides itself on the role it plays as an essential service provider during the COVID-19 pandemic. The group is focused on providing services to its customers, along with fulfilling its responsibility to help those in need through its Feed the Nation campaign.

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# MERGERS, ACQUISITIONS & PARTNERSHIPS

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# MERGERS, ACQUISITIONS & PARTNERSHIPS

## PICK N PAY PARTNERS WITH BOTTLES FOR GROCERY DELIVERIES

5 June 2020

In an attempt to generate revenue, the well-known supermarket giant, Pick n Pay, and an alcohol delivery company, BOTTLES, have partnered to support each other in generating revenue during the national lockdown.

This partnership addressed the issue of BOTTLES not being allowed to deliver alcohol during the lockdown, along with Pick n Pay consumers opting to purchase groceries online, instead of physically going to the shops.

As such, the partnership offers same-day online delivery services, providing customers with an easy and more efficient way to help stay safe and purchase necessities online.

Moreover, although alcohol is now available for purchase, BOTTLES continues to offer grocery deliveries as an additional service to its alcohol delivery.

The BOTTLES app is available via the App Store or Google Play, with the orders being trackable and order status being available, from order to delivery.

The benefit of this delivery method is that it offers contactless delivery, with a "leave at door" option being available upon checkout. The Pick n Pay and BOTTLES partnership is currently only available in the Western Cape, Gauteng, KwaZulu-Natal, and the Eastern Cape, with the prospects of expanding to other parts of South Africa.

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## DIS-CHEM PLANS TO BUY BABY CITY

15 May 2020

Dis-Chem, the well-known pharmacy group, and Baby City have entered into a conditional agreement to buy the Aronoff family business for R430 million. This acquisition is described as a great cultural fit for the company, with Dis-Chem having targeted Baby City for numerous years.

Currently, the acquisition is awaiting the green light from competition authorities, and additional employment contracts and lease conditions to be fulfilled.

Once the acquisition has been completed, Dis-Chem plans on retaining Michel Aronoff as the Managing Director of Baby City, as well as its current staff compliment.

Additionally, if the transaction is approved, Dis-Chem branded clinics will be rolled out at various Baby City stores, offering ante and post-natal clinics focused on babies and toddlers. Furthermore, an additional 30 potential sites for stores have also been identified.

Dis-Chem Chief Executive Officer, Ivan Saltzman stated that the brands are very similar in its philosophies, which will help ensure management team alignment, as the company unlocks the value of the Baby City brand.

Moreover, Dis-Chem also highlighted that Baby City had continued with its trading during the COVID-19 lockdown, which is evidence of both the resilient nature of the industry and brand equity of the retailer.

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## GAME PARTNERS WITH UBER EATS TO IMPROVE CUSTOMER DELIVERY

12 May 2020

The well-known retailer, Game, and third-party delivery service, Uber Eats, have formed a partnership to assist with delivering various groceries and products. Some of the products Game offers on the Uber Eats platform are surprisingly price-competitive, with a few items being cheaper than at competitor stores.

With this partnership, customers can purchase a variety of products, such as dry and frozen food, groceries, cleaning supplies, pet food, baby products, and 5kg bags of maize meal, amongst others.

In addition, Uber Eats brings an army of drivers to the equation, that are able to meet peak-hour demands, with the benefit of real-time tracking that customers find appealing.

Interestingly, the products Game offers on Uber Eats are price-competitive, compared Pick n Pay, Checkers, and Woolworths. It seems that Game has opted to not increase product pricing to cover the commission charged by these delivery services, with the pricing of most items similar to that in-store.

If successfully maintained, this partnership may present a long-term threat to competitor grocers, with numerous stores, such as Checkers and Woolworths struggling to meet the demand for home delivery slots, as well as smaller third-party-shop-and-deliver services, being unable to keep up with the increase in online shoppers as they attempt to avoid stores.

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# INNOVATION AND TECHNOLOGY TRENDS

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# INNOVATION AND TECHNOLOGY TRENDS

## NEW SOUTH AFRICAN APP ALLOWS SAFER SHOPPING

27 May 2020

ShopSafe, a new app that allows customers to access up to date information on vehicle attendance at shopping destinations, has been launched by Tracker and Lightstone. This app aims to minimise the exposure of shoppers to large crowds, by providing information on when it is safest to take their next shopping trip.

The app, which is updated weekly, comes at a fitting time as consumers are faced with high-density shopping centres, increasing their risk of either spreading or contracting the COVID-19 virus.

In light of these risks, Lightstone, a provider of data analysis, incorporated Tracker's vehicle tracking abilities to create the ShopSafe app. The website application, which is also mobile-friendly, uses geo-location to provide an analysis of the number of visits per hour, seven days a week, to identify the least busy time to shop at centres near customers.

To access the app, customers must go on the ShopSafe website and allow the application to identify their location, or customers can manually enter their longitude and latitude coordinates. Customers then choose the shopping centres that they are interested in from the drop-down list provided, and the app will then generate and display the information.

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## NEDBANK RELEASES NEW 'SUPER APP' TO ACCESS SAFER ONLINE SHOPPING

19 May 2020

Nedbank has launched a new 'super app', Avo, during lockdown which will provide customers access to essential services and online shopping from a variety of merchants.

The app will allow customers to shop in a virtual environment, where they can purchase service offerings and products which are supported by safe and secure payments, artificial intelligence, and bank-grade security.

Nedbank refers to the platform as a 'super app', as it combines a multitude of apps into one, allowing customers to manage their daily needs through one integrated app and removes the digital clutter on their mobile phones.

The services and products that are currently available on the Avo app include airtime, data, electricity, online grocery shopping, and digital home entertainment services, such as Deezer and Showmax. In addition, essential professional home repair services, such as locksmiths and alarm system maintenance are also offered on the app.

So far, Nedbank has released a beta version of the Avo app to their Nedbank Money App users, which will see the phased release of the app to Nedbank clients. Up until recently, the app has gained over 5 000 customers and 170 registered home repair and service merchants.

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## PICK N PAY AUTOMATES IT FINANCE SYSTEM WITH NEBULA'S ONEVIEW

15 May 2020

Pick n Pay has automated its Information Technology (IT) Finance system with the use of OneView from Nebula, a Microsoft Azure-based solution. The new software allows Pick n Pay to automate and expedite the generation of billing reports, as well as streamline the cost allocation and recovery process.

Every month, Pick n Pay's IT finance team runs analysis on all bills relating to its IT environment, in order to ensure the correct expenses are allocated to the correct business units, and to identify inaccuracies. In the past, the IT finance team had to manually capture the data from each vendor into its enterprise resource planning (ERP) software, which was time-consuming, error-prone, and inefficient.

With so many different stakeholders and vendors involved in Pick n Pay's operations, the retailer needed a system that would adapt to a variety of specific and individualised needs. As such, by integrating OneView into its ERP system, there were immediate and significant impacts on the retailer's cost-controlling efforts and related reporting.

For example, in the past, it would take approximately two hours to compile a single monthly IT billing report, compared to the current 45 minutes for report generation.

According to Stian Joubert, Pick 'n Pay's General Manager of IT Infrastructure and Operations, it is important for brands to constantly innovate and look for new ways to improve productivity and processes.

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# SOCIO-POLITICAL FACTORS

## WELL-KNOWN GLOBAL BRANDS STAND TOGETHER FOR RACIAL JUSTICE

4 June 2020

Racial injustice has been a key topic on social media over the past week, which has been brought on after the death of George Floyd in police custody. This has resulted in various fast food chains, brands, and retailers worldwide taking to social media in support of the Black Lives Matter movement and pledging money to racial justice organisations.

In an effort to show their support for racial justice, well-known brands are donating hundreds and thousands of dollars, and in some cases, millions of dollars to racial justice organisations. Brands showing their support include McDonald's, H&M, Amazon, and Gap Inc, amongst others.

As an example, McDonald's is donating US\$1 million to the National Urban League and the National Association for the Advancement of Coloured People (NAACP). McDonald's United States chief, Joe Erlinger, spoke about the George Floyd protests and stated that McDonald's tends to keep quiet regarding issues that do not affect the group directly. However, when something hurts any of its members, they all hurt together.

Another example includes, Amazon donating US\$10 million to a variety of organisations that are working towards social justice and improving the lives of black and African Americans.

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## WOOLWORTHS HELPS TO FIGHT HUNGER DURING COVID-19 CRISIS

28 May 2020

The well-known retailer, Woolworths, has introduced its Fill a Bag campaign in reaction to the increased number of families in need, due to COVID-19 crisis. Woolworths, along with Gift of the Givers, has launched this campaign, to assist families in need with a bag filled with food, that will feed a family of five for two weeks.

The company is filling family-sized bags with essential food items that are nutritious. Each bag that is being donated contains potatoes, butternut, soft citrus, milk, sugar, tea bags, and maize meal, amongst others. Additionally, the bags also contain cleaning and sanitary essential products.

Once these bags have been filled, they are donated to communities that are in need, with the focus being on families in quarantine and isolation, that are not able to go to the stores.

In collaboration with Gift of the Givers, with its countrywide network, the company handed out over 1 000 care packs this year to communities in King Williams town, on World Hunger Day.

Woolworths is encouraging its clients to donate through SnapScan or EFT, and Discovery members can donate their Discovery miles, enabling a donation towards filling a bag. The company is targeting to donate one million meals to the needy during this period.

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## NANDO'S SUPPORT FOR THE NEEDY

26 May 2020

Nando's, the well-known fast food chain, has been doing its part in supporting the needy during the difficult times brought on by the COVID-19 pandemic. As such, Nando's has partnered with the Solidarity Fund, in an attempt to help and support those in need.

Doug Place, Chief Marketing Manager of Nando's SA, explained that the company has added an option to its website, offering customers the opportunity to purchase a gift voucher. Furthermore, the company announced that it will donate ten times the voucher value donated by its customers, which will go directly to the Solidarity Fund for various relief efforts during the national lockdown.

In addition to the Solidarity Fund, Nando's was also involved in the Streetwise Periperi McBurger campaign, a relief effort, alongside its competitors McDonald's and KFC, with the campaign having fed more than 50 000 people in SA already.

During this campaign, the company only opened up 15 stores dedicated to its relief effort. Even though the Nando's SA chain did not open all its stores during level four of lockdown, it created an option for its customers to purchase a voucher which, in the end, assisted both Nando's and the Solidarity Fund during this period.

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## ALCOHOL BAN FINALLY LIFTED

24 May 2020

Since 27 March 2020, the sale of alcohol has been strictly prohibited during the national lockdown. However, the government adjusted lockdown regulations to open up the sale of alcohol at certain times, effective from 1 June 2020, when level three lockdown commenced.

The prohibition of alcohol for the past few months has had significant implications on the country, both socially and economically. Firstly, the government has lost billions of rands due to uncollected excise taxes, whilst also seeing the rise of the black-market trade during the lockdown period. The illicit trade of goods has flourished, in terms of both cigarettes and alcohol. Additionally, bottle stores have also fallen prey to looting during the lockdown period.

However, President Cyril Ramaphosa confirmed that, under level three lockdown, the sale of alcohol would be permitted. Nonetheless, stringent control measures have been put in place to mitigate the rush of consumers to bottle stores. These measures include the restriction of operating hours of outlets, as well as only allowing certain off-consumption premises to sell alcohol.

Thus, on-consumption premises such as taverns, restaurants, clubs, and hotels and guesthouses are still prohibited from the sale of alcohol, whilst retailers including supermarkets and bottle stores with valid liquor licenses being permitted to sell these products. However, sales are only permitted between Monday and Thursday during limited operating hours.

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## GOVERNMENT ALLOWS E-COMMERCE TO CONTINUE

15 May 2020

The Department of Trade, Industry, and Competition (DTIC) released new regulations on 14 of May 2020, stipulating that SA online retailers are now allowed to sell any products, except alcoholic beverages and cigarettes.

Previously during the lockdown, online retailers were limited to only selling the same list of essential items that physical stores could sell.

However, the new regulations, which were effective from 14 May 2020, allow all goods to be sold through e-commerce platforms. Nonetheless, with the new regulations, retailers, couriers, and consumers must follow a new strict list of rules in a continuous attempt to curb the spread of the COVID-19 virus.

Furthermore, the gazette published by the DTIC stated that the full re-opening of e-commerce will be a significant enabler to the opening of the economy within the country.

This will be achieved through safe, contactless transactions, that will minimise the movement of consumers, as well as the density of people in shops.

Furthermore, e-commerce channels can inspire innovation, support local manufacturers, as well as increase access for poorer South Africans in informal markets.

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