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Shoprite hits record in market share growth

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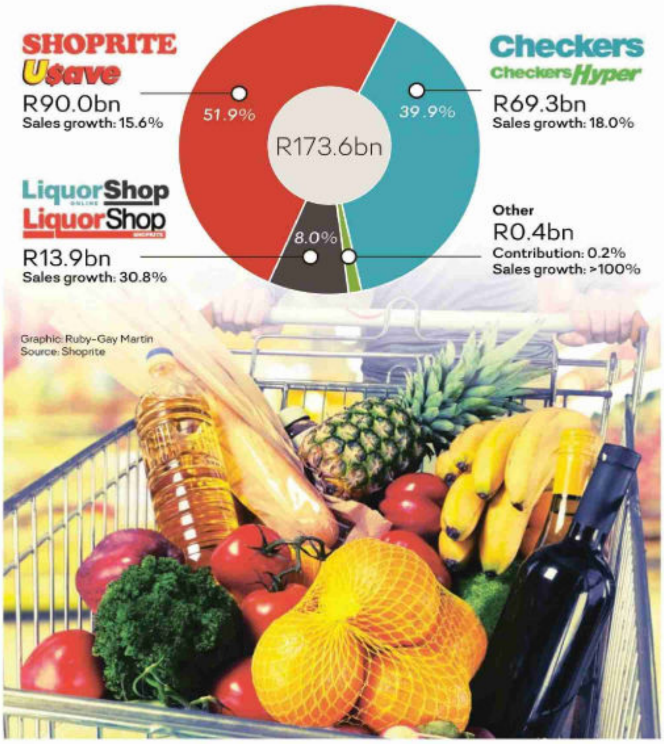
Brand contribution and sales growth



● Shoprite has set its sights on widening its lead against competitors as it continues its aggressive store expansion after record market share growth. It will spend R8.5bn in the 2024 financial year, up from R6.8bn in fiscal 2023.

The owner of Checkers, USave, OK and Computicket has for years chipped away at competitors' market share thanks to its vast footprint in South Africa, cheaper pricing and stock availability.

The company surpassed R200bn in sales for the first time in the year ending July 2. It achieved annual market share of 33.9% after multiyear gains, with Pick n Pay and Spar likely to have lost some ground. Pick n Pay said last month sales were slow during the four months to mid-July.

After opening a record 340 new stores in one year, taking the total to 3,326, Shoprite plans to open another 314 more across all its brands. CEO Pieter Engelbrecht said it had planned for 425 new stores but obstacles such as electricity supply, water shortages and sewerage services hampered the speed of the expansion.

"We are not stopping our store expansion because of that; we will work around the clock with authorities so that we are able to deliver on our plans," he said.

Engelbrecht said there was still a lot of room to grow market share. "With Checkers at sub 15% market share, I cannot for the life of me think that that's where we going to stop, [same with] Shoprite at sub 20%."

He said the group will have to ensure that the level of stock does not disappoint consumers and that they don't have to shop elsewhere.

Englebrecht said he was concerned about unemployment and the lack of growth in the economy as it creates social instability. "South Africans are very resilient but I believe that they deserve better."

Analysts expect Shoprite to keep its growth momentum in the 2024 financial year. Mohamed Mitha, investment analyst for Camissa Asset Management, said "success often begets further success, and we see no reason for Shoprite's immense growth momentum to cease over the short to medium term".

Philip Short, a senior equity analyst at Flagship Asset Management, said the company has "one of the sharpest retail management teams and they are relentless in their execution. They probably have the best operating efficiencies, which allows them to have very competitive pricing.

"I think they'll keep pressing for more market share across all categories."

Engelbrecht described the 2023 financial year as "extraordinary". Shoprite managed to increase profits and dividends despite unprecedented levels of load-shedding, which cost the group R1.3bn in diesel expenses.

Mitha said the longer load-shedding remained a significant problem, the better it would be for Shoprite from a relative perspective — helping them to take further market share from weaker competitors.


Pieter Engelbrecht

"Their superior financial position compared to the likes of Pick n Pay, for example, means they can absorb the extra costs associated with load-shedding while continuing to outtrade competitors through sharper product pricing, better stock availability and aggressive store rollouts," he said.

Shoprite caters for different markets through its various brands and has added new categories, including clothing with standalone UNIQ stores, and PetShops.

Shoprite and Usave, which caters for what Engelbrecht describes as a "restrictive budget" market, increased sales 15.6% to R90bn. Customer visits increased by 14.1% and average basket spend rose 3.3%.

"Customers are stretching their budgets. We have seen promotional items in baskets increasing by more than 5%. Clearly customers are looking for value and are creative to make budgets work."

At the group's premium brand Checkers, with a market share of 15%, sales rose 18% to R69.3bn. Checkers' online delivery platform Sixty60 increased sales by 81.5%. Shoprite has launched a monthly subscription fee of R99 that will allow unlimited grocery deliveries, which is likely to boost Sixty60 sales.

"They have led the development in online delivery in my opinion, and this just shows how management is focused on every area of the business. They had strong revenue growth at the top end [Checkers at 18%] and the low end [Shoprite and Usave at 16%], which is phenomenal in the current macro environment," said Short.

On the outlook for the sector, Short said that for investors food retailers are "usually a safe place to hide".

But food inflation, a weaker rand and a stronger Shoprite should be a worry for the other grocers.

"I think any further extension or expansion of the Covid basic income grant will support the lower-end food retailers."