

Strong operations in West Africa lift Shoprite results

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Shoprite's stronghold in West Africa helped the domestic retailer report better-than expected results in July, but the company has yet to successfully branch out in East Africa.



Picture: [Bloomberg/Waldo Swiegers](#)

There is market speculation that Shoprite may soon exit Uganda - its last remaining exposure to East Africa.

Shoprite's other African operations outside SA include Angola, Botswana, Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Zambia, and the Democratic Republic of the Congo.

It bowed out of Tanzania in 2014, selling its stores to its East African rival, Nakumatt.

Shoprite also failed to enter Kenya after talks with Uchumi - one of the big retailers there - came to naught.

Rumours of a pull-out from Uganda began in June 2015. Shoprite has previously shot down the speculation, but said on Thursday it could not comment, as it was in a closed period and, "therefore, not in a position to comment on matters of a strategic nature".

Trade Intelligence MD Maryla Masojada said that Shoprite's focus was on West Africa, with Nigeria and Angola being

primary growth zones for the group.

In southern Africa, Shoprite had already achieved economies of scale in Zambia.

"They have already earmarked R1.5bn in capital expenditure for Angola and Nigeria. They haven't really gone after East Africa. In Kenya, specifically, there are strong players like Nakumatt who already know the market well," she said.

Non-South African operations contribute about 16.4% of total turnover. The retailer, however, is aiming for 50% of revenue from these regions.

Masojada said SA already had a densely populated formal retailing sector that left little space for further growth.

Formal retailing in East Africa, on the other hand, was less than 1%, while in West and Central Africa, it comprised less than 10%.

"Africa is a city-by-city challenge. Expansion in Africa for most retailers is also hindered by the lack of infrastructure and red tape.

"It isn't an easy win," Masojada said.

In its operational update, Shoprite reported a 32.6% acceleration in sales in its non-South African operations.

Kagiso Asset Management investment analyst Simon Anderssen said this had been better-than-expected, in light of challenging consumption growth in some of the countries in which Shoprite operated.

"The reopening of one of their largest stores during the year contributed to this strong performance," he said.

Source: Business Day

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