

Game may have to halt food sales

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Massmart's (MSM's) intention to grow its food offering at Game stores has been dealt another blow by exclusivity clauses that protect incumbent grocers in malls from competition.



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This time, an exclusivity provision in the lease agreement between Liberty Group Property and Pick n Pay has been used to temporarily prevent the establishment of a Game Foodco in the Liberty Midlands Mall in Pietermaritzburg.

Massmart's Game brand, which has traditionally been a general discounter, has been moving towards a multi-category retail format through its Foodco business, which introduces a wider food range to Game. Massmart has plans to roll out Foodco division in most Game stores over the next few years.

Last week Pick n Pay was awarded an interim interdict against both Liberty and Game, pending the outcome of arbitration. This is not the first time Game has been dealt a setback in its hopes to grow its food and grocery offering.

In October last year, Shoprite was granted an interdict by the Western Cape High Court prohibiting Massmart's from selling certain food products in the CapeGate shopping centre.

Such agreements are not uncommon, and are enforced partly to ensure that anchor tenants of new mall developments have the assurance of limited competition, which allows them to be profitable from the outset and commit to their spot in the mall.

Massmart said in a response to Business Day that exclusivity clauses in lease agreements impede competition by new entrants.

"The fact that Pick n Pay has resorted to the courts in an action which ultimately restricts competition is not in the interests of South African consumers, and highlights the disruption that the Game Food proposition is causing to the entrenched

food retailers," Massmart said.

Massmart said it would continue to pursue the anti-competitive effects of lease exclusivity agreements with the competition authorities.

It said a recent study showed that Massmart offered the lowest prices in the mid- to low-end of the retail food market.

According to Nortons Inc, which represented Pick n Pay in the proceedings, the judge found that Pick n Pay had proved it had a prima facie right and that there was a well-grounded apprehension for irreparable harm if the interim relief was not granted.

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