

Retail competition heats up in Zimbabwe

Pick n Pay's entry into Zimbabwe through a \$13m investment into local giant retailer, TM Supermarkets has pushed competition in the country's retail sector a notch higher although long-time competitor OK Zimbabwe is likely to be pushed over easily.

By [Tawanda Karombo](#) 11 Oct 2012

Analysts say the "significant debt" that is held by TM Supermarkets - in which Pick n Pay now controls 49% following the investment - will divert revenue from shop refurbishments.

The powerhouse South African retailer has foraged into Zimbabwe, with one Pick n Pay branded shop while five other TM Supermarkets outlets are expected to be rebranded before the end of this year.

OK Zimbabwe has, however, moved swiftly to plug any potential loss of market share to its rival through shop refurbishments and the opening of new stores. The retailer raised a \$5m convertible loan facility from Investec Africa Frontier Private Equity Fund.

"The cash injection into TM Supermarkets will start to chip away at what has been OK Zimbabwe's competitive edge over the last 18 months," said Dzikamai Danha, lead analyst at IH Securities in a report released this week.

The analysis report notes that the erosion of OK Zimbabwe's market share is likely to be slow because TM Supermarkets is holding significant debt and is likely to divert any internally generated funds away from refurbishment. It is very unlikely that the refurbished TM Supermarkets will outclass the OK Zimbabwe stores."

The analyst claims that OK Zimbabwe will remain the market leader for at least the next 18 months unless Meikles Holdings the Zimbabwean joint venture partner in TM Supermarkets - undertakes a significant corporate action.

OK Zimbabwe's larger retail operation, OK Mart is forecast to significantly add to group revenues after contributing 15% to first quarter 2012 revenues compared with 8% in the previous period.

Meikles said in an interim management report in August that the new (Pick n Pay) branch in Harare had "been well received by customers and had done exceptionally well to date."

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