

Spar shows strength in SA with retail sales growth of 7.1%

Spar Group turnover increased by 8.8% for the 24 weeks ended 15 March 2024, with a well-maintained policy of continued capital investment across the wholesale and retail value chain.



Source: Reuters

According to a voluntary trading update, The Spar Group reported strength in South Africa with retail sales growth of 7.1% and good cash generation.

The Spar Group CEO, Angelo Swartz said The Spar Group Southern Africa saw total wholesale sales growth of 5.7%, with Build it delivering pleasing sales growth of 1.1% after a sustained period of market contraction. Tops and the pharmacy business achieved 12.8% and 17.7% growth respectively.

“We have made good progress over the past few months as we work towards future-proofing the business and becoming the first-choice retailer in the communities we serve. We still have much hard work ahead, but we are on track thanks to our decentralised management model. When our retailers achieve, we achieve”, said Swartz.

Swartz said the operating environment in South Africa, however, continues to be challenging.

"Of course, at the moment, the operating environment is tough, and we will need to continue navigating the headwinds of the economies in which we operate, but we are moving in the right direction".

"While inflation is back within the South African Reserve Bank's target range, 14-year-high interest rates, combined with muted GDP growth forecasts and a high unemployment rate will continue to place consumers under immense pressure. In response to this we are focusing on delivering everyday value, low prices and convenience for our shoppers," Swartz said.

Further abroad

Meanwhile, the operating environment in Ireland faced pressures from inflation, high interest rates and the introduction of a 12.4% increase to the minimum wage effective 1 January 2024. However, BWG Group in Ireland and South West England continued to trade strongly with turnover increasing by 6.6% in euro and 16.9% in rand.

In the United Kingdom, labour shortages are still a concern and expectations for economic growth remain uncertain, with businesses tackling wage inflation and other inflationary cost pressures. "Trading conditions in the United Kingdom have been particularly challenging due to the seasonal nature of the business, located in an area influenced by holiday makers," said Swartz.

Swartz added that the operating environment in Switzerland continued to be challenging with cost-of-living increases in health care, transport, electricity and high interest rates. Spar Switzerland reported a decline in turnover of 4.7% in Swiss francs, but an increase of 8.8% in rand. "The overall decline reflects the shift in consumer behaviour towards seeking cheaper products in local supermarkets and across the border, however Spar's convenience stores have benefitted from unseasonably warm weather over the past four weeks," said Swartz.

Consumers in Poland remained under pressure because of ongoing inflationary increases causing a shift towards hard discounters, to help manage costs of living. As a result, Spar Poland turnover decreased by 4.2% in zloty during the trading period, but increased by 13.2% in rand terms, negatively impacted by the loss of a small number of retailers following Spar's announcement to exit this market.

New ERP and warehouse management system

Swartz also provided an important update on the new ERP and warehouse management system, which went live at the Spar Distribution Centre in KwaZulu-Natal (KZN) in February 2023. "The system is stable and functioning as designed, however, is not yet at the efficiency levels anticipated. A strategic review of the ERP system and rollout process has been undertaken to ensure future implementations across distribution centres are significantly de-risked," he said.

Swartz concluded that it was encouraging to note that Spar retail sales for the month of February 2024 increased by 10.9% and 9.5% on a like-for-like basis, positively benefitting from the leap year.

"For the five months ended 29 February 2024, retail sales increased by 7.1% with like-for-like sales increasing by 5.8%. Retail sales allows for a more accurate industry comparison across peers and the resilient performance is an indication of the continued strength of the Spar brand."

"Our home market, South Africa, remains the heart of our business and is a key focus area. We are confident that we can take the opportunity to ensure the sustainability and growth of our business as we continue to play a meaningful role in transforming the South African economy", concludes Swartz.

The Spar Group's financial results for the six months ending 31 March 2024 will be published on SENS on or about Wednesday, 12 June 2024.

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