

No basis for grocer probe, says Pick n Pay

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Pick n Pay does not believe there is a basis for the inquiry into the grocery retail sector. In its nonconfidential submission prepared by law firm Nortons to the panel overseeing the process, the retailer says there is a relatively clear difference between the formal and informal grocery retail trade.



Pick n Pay supermarket at the Karfinsa Shopping Centre in Harare, in Zimbabwe.

Picture: [AVUSA](#)

The inquiry into the sector started on November 27 2015 and is expected to be completed in May 2017. A big objective of the commission is to probe the effect of national supermarket chains on small and independent retailers in townships, peri-urban areas and rural areas, and the informal economy.

In its submission, Pick n Pay said the formal retail grocery sector was differentiated by factors such as store size and formal lease agreements.

In contrast, the informal sector was often characterised by relatively small stores that catered for shoppers in relatively close proximity who bought relatively limited numbers of grocery products, Pick n Pay said.

"There has been growth across all sectors and formats of the retail grocery industry over a five-year period, which

demonstrates that not only is there increasing competition within the industry but also that barriers to entry have not been a deterrent to growth in the sector," the retailer said.

In its submission prepared by law firm Bowman Gilfillan, Spar said almost all its stores were separate businesses that were financially owned by independent retailers and, as a result, The Spar Group Limited could not conduct its business in the same way as a national supermarket chain.

"Independent retailers are able to source from other suppliers including wholesalers such as Makro."

Spar said it could not impose prices but could only recommend the selling price for products sourced from the group.

Barriers

Woolworths said while there were barriers associated with the entry of an entirely new food and grocery national chain, these were not necessarily significant.

"Woolworths nevertheless recognises that a potential new entrant might face certain barriers. These may include long-term exclusivity clauses in lease agreements, and if so, in Woolworths' view, should only endure for as long as is necessary to recover a retailer's initial investment and for no longer than five years," it said.

In its submission prepared by Cliffe Dekker Hofmeyr, Massmart alluded to research by Nielsen that estimates there are 134,000 small and independent retailers nationally compared with 4,500 supermarkets and 2,758 convenience stores.

"These small and independent retailers do not appear to be in decline, but are a sustainable feature of the retail landscape."

Source: Business Day

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