

# Wal-Mart spells out how it will get going in SA

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While Wal-Mart has got the green light to come into SA it will not be flying its bright blue and yellow banner.

Wal-Mart has no intention at this stage of opening a Wal-Mart store or changing any Massmart stores like Makro and Game into its own stores.

Wal-Mart has 55 brands around the world, and when the world's biggest group enters a market it uses the brand that makes most sense.

About 90% of the stores the group operates outside the US use brands other than Wal-Mart.

Wal-Mart operates as Walmex in Mexico, Asda in the UK (in some branches Asda Wal-Mart), Seiyu in Japan, Best Price in India and Trust-Mart and Supercentre in China.

SA shoppers are likely to see lower prices, new products and better availability of stock.

Massmart CEO Grant Pattison is in the US thrashing out details of a strategy to get the deal from the drawing board into the stores.

The first evidence of the Wal-Mart effect will be in food, particularly in Cambridge Food stores, a relatively unknown part of Massmart but one that plays an important role in the group's retail food strategy.

These stores are located in high-density commuter nodes, such as Baragwanath taxi rank. The plan is to spend about R1-billion on rolling out these stores. Once there are 100 stores with sales of R100-billion, the next target is 200 stores.

Food retail is currently only 1% of Massmart sales.

Food sections will also be introduced throughout the Game chain, while Makro's existing fresh food offering will be expanded.

Massmart will benefit from Wal-Mart's expertise in merchandising and logistics.

Expansion into sub-Saharan Africa will include opening Makro and Builders Warehouse stores. Of particular interest is Nigeria, Democratic Republic of Congo, Angola and Senegal.

"We're going to continue our push into Africa, but I think it is correct to say that in terms of perhaps the headline strategy of expanding into food retail, Cambridge Foods is going to be our number one thrust," said Pattison.

Wal-Mart has said prices will come down by 7% to 12%, initially through promotions starting as early as next month.

Pattison said: "I think most significantly (consumers are) going to see some new and exciting products and they're going to see better prices."

There will be significant future store growth in underserved areas.

"You will see new Builders Warehouses, Builders Expresses and depots," said Pattison, who expects the tie-up to create 2000 to 3000 jobs over the next three years.

About R1.1-billion (before tax) will be paid to about 10000 staff participants of Massmart's three equity ownership schemes from the sale of the 51% stake in Massmart. Of this, Massmart executives will get R208-million.

Payment will be on completion of the deal, and June 30 has been targeted.

International growth is crucial to Wal-Mart because sales in its US operation have declined for two years.

Cathy Smith, Wal-Mart's international chief financial officer, told Reuters that the company has a list of criteria that must be met for it to enter a market. These include a growing middle class and a market moving from an informal retail environment to a more formal one.

Wal-Mart made concessions to SA's competition authorities, including not retrenching any workers for two years, honouring existing labour agreements and setting up a R100-million fund to help local farmers and suppliers gear up to do business with the retailer.

*Source: Business Times*

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