

Spar steps up battle for affluent and discount shoppers

By Nqobile Dlodla

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South Africa's second-biggest supermarket retailer, Spar Group, plans to open premium and discount grocery stores while also entering new niche retail markets, its chief executive said on Thursday, 14 March 2024.



Source: Reuters/Siphiwe Sibeko/

South African grocery retailers have been refining their strategies to appeal to both affluent and low-income customers, to gain a bigger share of customers' wallets.

They are also moving into new non-food markets by opening standalone stores for such items as pet and baby supplies, clothing and outdoor adventure products to help diversify and generate additional income.

While rivals including the country's leading grocer, Shoprite, and Pick n Pay have distinctive brands that serve the different income groups, Spar has fallen behind.

"With Spar, what we have been struggling with in the last while is that, because we tried to cover both markets with one brand, being able to draw that distinction has probably been a challenge in the last while," Spar Group's CEO, Angelo

Swartz, told reporters.

"So we've found ourselves at the crossroads."

The retailer, which also operates in Ireland and Switzerland, is looking to tier its private-label ranges and create new grocery store formats, he added.

"Our differentiation is going to focus on premiumizing and (therefore) we might see a premium format being created and then at the other end of the market, globally we're seeing the emergence of discounters, and discounters have been really strong," Swartz said.

"So we're looking at creating a discounter format."

South Africa's higher-margin upmarket grocery niche is dominated by Woolworths, while in the discount space, Shoprite has Usave while Pick n Pay operates Boxer chains catering for that market.

Outside of grocery, Spar owns liquor stores and a building materials business called Build it, the biggest supplier in the country.

"There is space for growth in adjacent categories, where specialist offerings can drive feet into stores," Swartz said. "There are a number of niches which I think food retailers are going to move towards and we're looking at something similar."

Categories like pet supplies will be considered but the grocer also wants to branch out into segments that will give it "first mover advantage," he added.

Swartz did not disclose a budget for the new strategy.

To mitigate further impact from a failed implementation of SAP enterprise software that hurt Spar's annual operating profit, Swartz said the group has requested proposals for a specialist warehouse management system so that SAP's enterprise resource planning software is not used in its warehouses.

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