

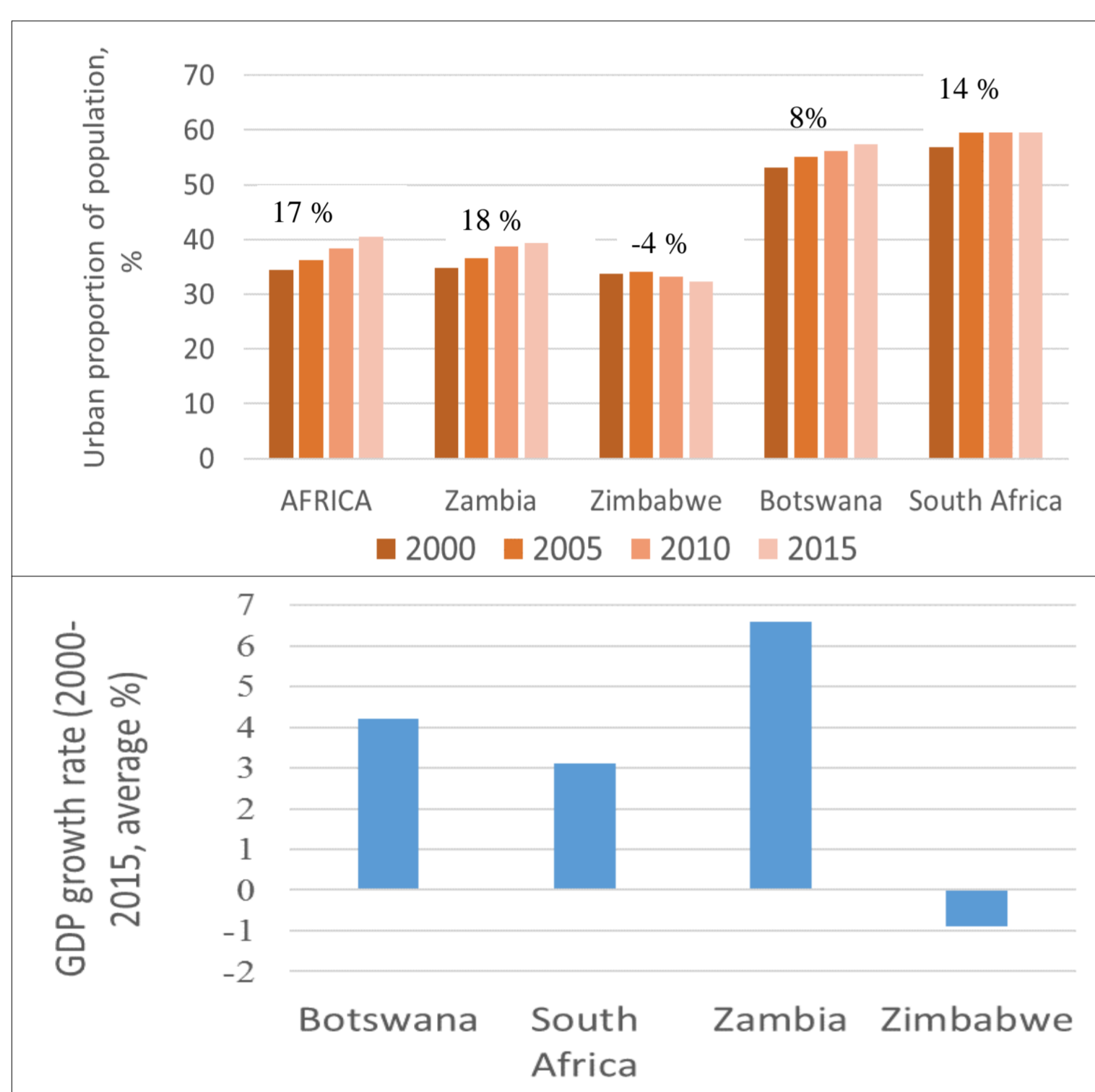
The internationalisation of supermarkets and the nature of competitive rivalry in retailing in southern Africa

1. What has happened?

- Rapid spread of supermarkets in southern Africa in the past 2 decades
- Mainly SA owned chains, but recently global multinationals and regional chains entering
- Research assesses degree and drivers of internationalisation of supermarkets, and impact on competition, in southern Africa

3. What has driven internationalisation?

- Increasing urbanisation and GDP growth rates:

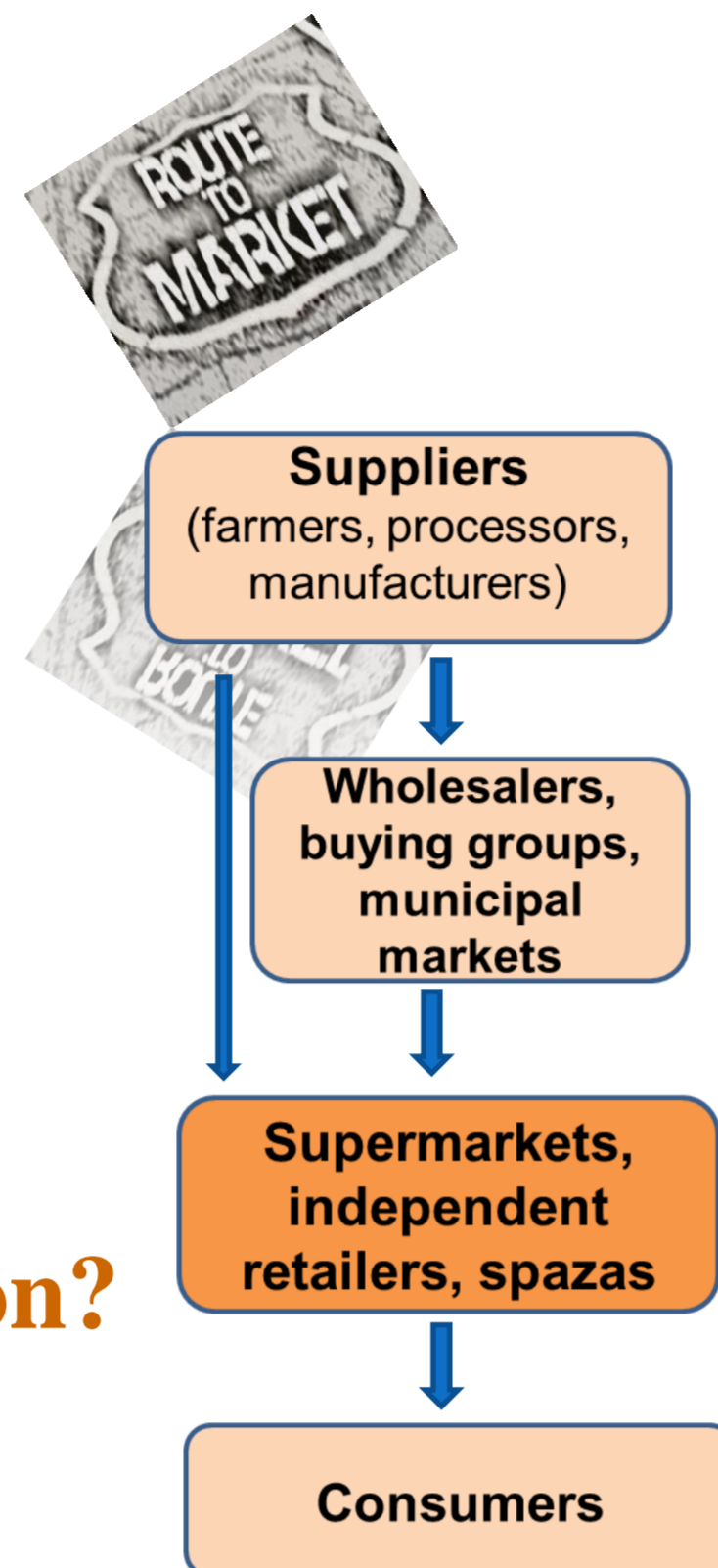


Source: UN and World Bank

- Increased FDI & trade liberalisation
- Modernisation of procurement systems & centralised distribution resulting in economies of scale
- Greater sales & profits in southern Africa: asset exploiting/ new market-seeking theories of internationalisation
- ‘Ownership’ and ‘Location’ advantages, and ‘Internalisation’ of multinational chains

5. Impact on competition

- Formal supermarkets compete on ‘Price-Quality-Range-Service’ package, including through formats and location
- Concentrated, oligopolistic markets
- Structural barriers to entry (distribution centres, finance, retail skills)
- Strategic barriers – exclusive clauses in leases; exploitation of buyer power – practices are ‘exported’ to the region by SA supermarket chains with market power

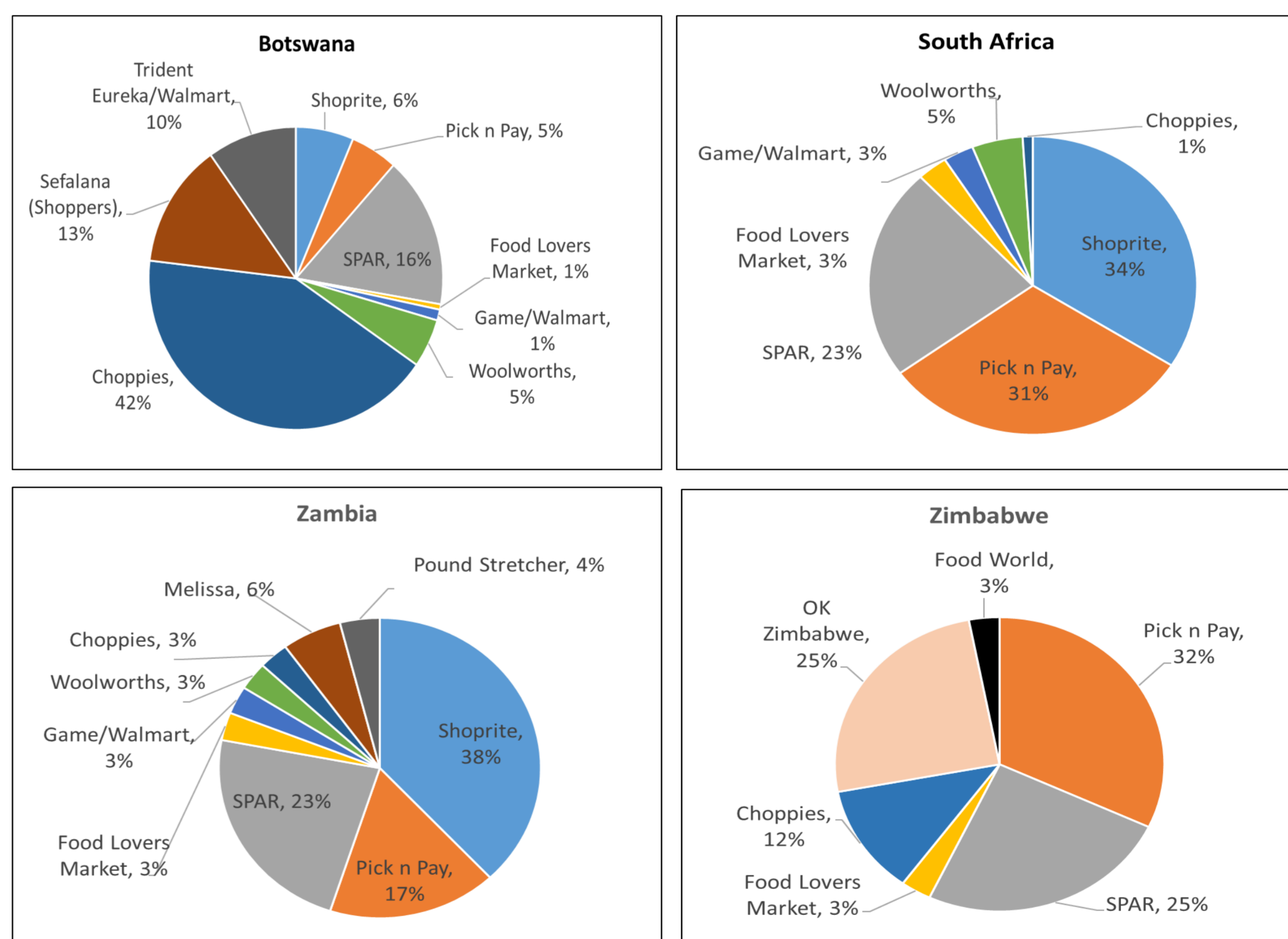


2. Why is it relevant?

- Implications on consumers and suppliers
- Supermarkets are *key routes to market*:
 - Stimulate growth of food processing and light manufacturing industries in the region
 - Impacts industrialisation and trade in the region
- Affects, and is affected by, the local competitive landscape:
 - Buyer power of supermarkets impacts suppliers
 - Price, quality, convenience and choice resulting from competition benefits consumers

4. Internationalisation of supermarkets in southern Africa

- Different degrees of internationalisation given differences in:
 - Political, economic and social realities in each country
 - National policies (local content/ industry protection)
 - The nature of competitive rivalry locally
- National market shares of formal supermarkets chains (no. of stores):



Source: Annual reports and interviews

6. Recommendations

Address bottlenecks to internationalisation and competition:

- Develop harmonised ‘regional content’ policies
- Removal of exclusive leases by competition authorities
- Open up retail spaces through urban planning
- Create regional codes of conduct between supermarkets and suppliers