

Implications on Suppliers of the Spread of Supermarkets in Southern Africa

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Background: The growth of supermarkets within and across southern African countries has opened up, both local and regional markets for suppliers through participation in supermarket supply chains. Supermarkets in the region provide an important route to market for producers of processed foods and manufacturers of household consumable products.

Methodology: Using data drawn from studies undertaken in Botswana, South Africa, Zambia and Zimbabwe, we assess the implications of the growth of supermarkets on the participation of local suppliers in the supermarket supply chain. These studies adopted a regional value chain approach through a mixed analysis of qualitative and quantitative data obtained from both primary and secondary sources. Suppliers interviewed were those of fast moving consumer products such as processed foods, soaps and detergents. These products have the potential to promote value addition and industrialisation.

Results

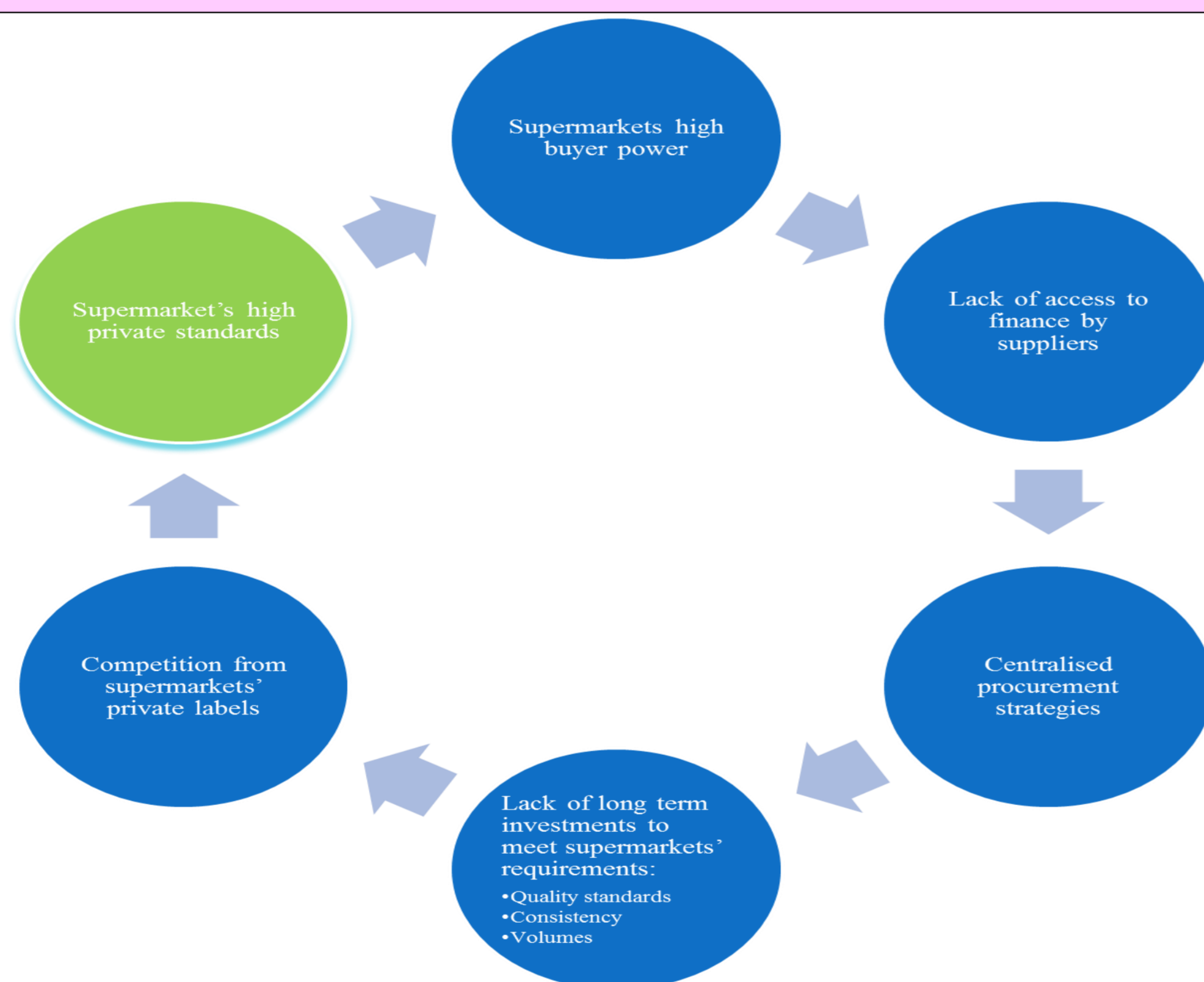
Fig 1: Study Findings

- The expansion of supermarkets appear to be driving changes in export and import dynamics through Southern Africa (Suppliers have improved capabilities which enable them to compete in regional markets).
- Large proportion of imports in Botswana, Zambia and Zimbabwe are from South Africa. These accounted for an average of 80% share of processed foods in the region as of 2015.
- South Africa's key source for fastest growing imports despite getting most of its imports from deep sea are: Mozambique, Zimbabwe, Swaziland and especially Zambia

Fig 2: Regional Supermarket Chains—

Country	Shoprite	Pick n Pay	Spar	Choppies	Woolworths
South Africa	1229	632	903	42	365
Botswana	11	10	26	82	82 outlets in
Mozambique	11	1	4		the rest of
Zambia	21	5	19	6	sub-Saharan
Zimbabwe	58	49	46	32	Africa
Employees	130,000	42,400	Franchise model; corporate 4025		38,000

Fig 3: Strategic Barriers to Entry



Conclusions

- Growth of regional supermarkets opens up opportunities and potential for suppliers involved in agro processing to revive local industries and stimulate economic growth in the region
- Supplying supermarkets shows that there is potential for suppliers to boost manufacturing growth which has stagnated over the last two decades.
- The growing demand for processed products within regional markets provides export opportunities which can counter risks associated with the region's dependence on commodities such as copper which is susceptible to international price shocks.
- The growth of regional supermarkets can create mutually beneficial trade relationships which are not only beneficial to South Africa but to other countries in the region. Bilateral Trade Agreements between governments in the region could open up greater trade opportunities through supermarkets.

Policy Recommendations

- Harmonisation of policies in the region with the view to developing regional value chains (Current local content initiatives are at different stages of implementation and are not aligned with the agenda to develop suppliers to regional markets).
- Supplier Development Fund—Current initiatives in region are ad hoc, small in scale and scope and with no regional development objective. Countries need to come up with large, long term and commercially-oriented approach by supermarkets in partnership with governments.
- Voluntary code of conduct—to manage supplier/supermarket relationship, reduce information asymmetries and most importantly control the exertion of buyer power which lies with supermarkets.
- Harmonisation of standards across the region (HACCP) assist in greater acceptance of products and ease entry into supermarkets value chains. This could increase competition of products for regional export markets and thus offer more choice to consumers.
- Transport opportunities for regional suppliers—exploit opportunities to transport goods offered by South African trucks which supply products to supermarkets in their respective countries and return to South Africa empty. This requires coordination between suppliers, supermarkets and govts.
- Limit the importation of supermarkets private labels