



Retail Sector Report 2023

LRS Labour
Research
Service



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Introduction

The Johannesburg Stock Exchange lists 29 companies in the two categories Food & Drug Retailers and General Retailers. Of this list, our sample includes nine companies. These companies are:

| |
|------------------------------|
| Cashbuild |
| Foschini |
| Massmart |
| Mr Price |
| Pick n Pay Stores Ltd |
| Shoprite |
| Spar |
| Truworths |
| Woolworths |

The retail sector in South Africa is the second largest employer after the government. This makes it a key sector for the LRS to monitor. The rich data extracted from the LRS's [MNC Database](#) enables a retrospective view of company performance over the course of the last nine years. Following this, we analyse the notoriously high remuneration packages received by directors in this sector.

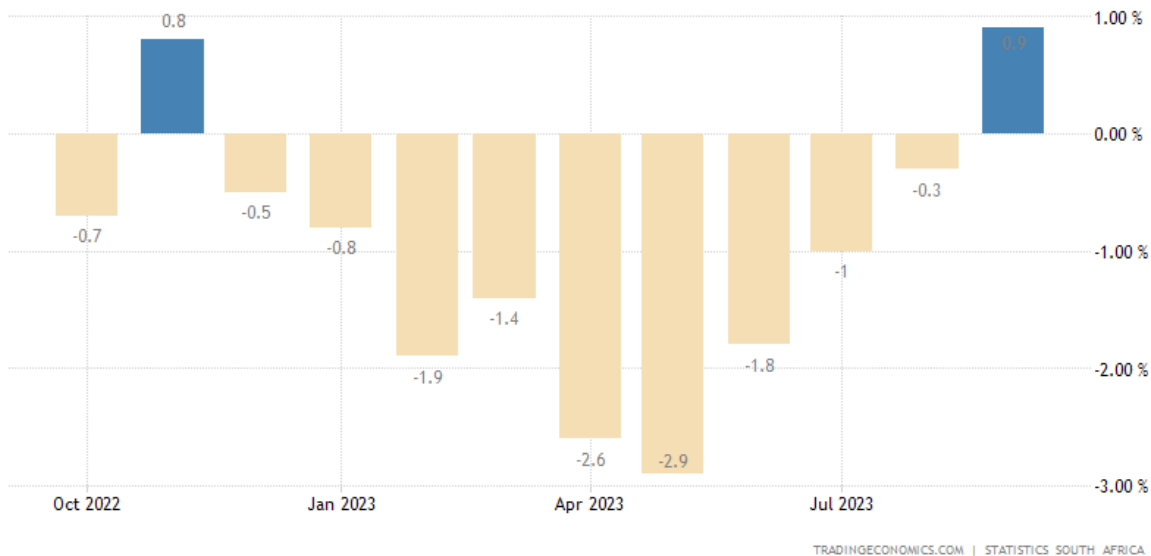
The Sector

Retail trade sales represent close to 20% of South Africa's GDP.¹ While this has been good for retailers in the past, the Covid pandemic and Eskom's power cuts have meant that growth in this sector has been slow. More recently, the impact

¹ <https://www.dailymaverick.co.za/opinionista/2022-01-25-long-road-ahead-for-the-retail-sector-particularly-e-commerce/>

of the war in Ukraine on supply chains and inflation, as well as interest rate changes have put even more pressure on consumers.

According to STATSSA, In 2022, retail trade sales increased by 1,7% compared with 2021.² The below graph shows South Africa's retail sales growth / decline from October 2022 to September 2023. Retail have been steadily declining month on month, with an increase in sales witnessed in September 2023.



3

The pandemic along with local and international lockdowns has led to a noticeable shift in the way households shop. South Africans are spending less on alcohol, clothing, eating at restaurants, furniture, appliances and hotels. Alongside this, unemployment in South Africa has reached record highs, meaning people simply have less money to spend.

² chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.statssa.gov.za/publications/P62421/P62421December2022.pdf

³ <https://tradingeconomics.com/south-africa/retail-sales-annual>

Shoprite is the largest retailer in the country with a market capitalisation of R153 billion – which is more than Pick n Pay (R10 billion) and Spar (R22 billion) and Woolworths (R45 billion) combined.

Pick n Pay dominated this same market in the 1980s, but Shoprite has continually grown over the course of the last 20 years to dominate the space. Shoprite is extremely good at centralised distribution and technology, which has enabled this growth over its competitors. The CEOs of these two retailers have played an important role in their growth. Both retailers have recently introduced new CEOs (Pieter Engelbrecht at Shoprite and Pieter Boone at Pick n Pay). Engelbrecht has continued to grow Shoprite by offering competition to Woolworths in the high-end grocery offering and continuing to grow market share at the lower end of market.⁴ Shoprite is also in the process of closing some stores in the Rest of Africa and focusing on the local market.

Spar, another big competitor in the sector, runs a very different kind of business. Spar doesn't own most of the stores brandishing its name – but does deliver to these stores.

The biggest news in the sector is that Walmart is buying out Massmart, and subsequently will delist the company. In its operations in America, Walmart is very openly anti-union. The unions in our alliances will no doubt face challenges when dealing with this company.⁵

The pandemic forced retailers to increase online capabilities: for the ten days leading up to the lockdown, Pick n Pay saw a significant increase in online orders. This prompted Pick n Pay to launch a same-day delivery service, competing with Shoprite's Checkers Sixty60 app, which promises to deliver your online order within 60 minutes. This speaks to an important change in the South African retail

⁴ <https://www.ghostmail.co.za/jse-retailers-where-is-the-value/>

⁵ <https://www.populardemocracy.org/news/how-walmart-persuades-its-workers-not-unionize>

landscape – in the last two years, South Africa's online retail has more than doubled.⁶ For 2021, the online total of R42,3-billion made up 4% of the R1,166-trillion total, marking healthy growth from the 2.8% recorded in 2020. In 2022, with total retail expected to reach R1,16-trillion, online retail will make up 4.7% of the total.⁷

⁶ <https://www.businessinsider.co.za/sas-online-retail-has-more-than-doubled-in-two-years-but-the-best-is-probably-over-2021-5>

⁷ <https://www.mastercard.com/news/eemea/en/newsroom/press-releases/press-releases/online-retail-study-2022/#:~:text=%E2%80%9COnline%20Retail%20in%20South%20Africa,South%20Africa%20to%20R55%20billion.>

Financials

Revenue

On average, this list of companies reported an 8,47% (see *Figure 4*) increase in revenue. The effects of the pandemic can easily be seen in the 2021 financials, so this increase comes from what can be deemed a low base figure.

The biggest increase in revenue was reported by Foschini, with an increase of 29,7% or approximately ZAR 11 billion. Mr Price (23%); Truworths (10%) Shoprite (7,5%); Woolworths (6%) and Pick n Pay (5%) all reported an increase in revenue as. Shoprite is the biggest employer in the sector. Cashbuild reported an 11,66% drop in revenue.

From the chart below (*Figure 1*), Shoprite remains the biggest company in the retail sector, with Spar and Pick and Pay following. Woolworths is the fourth largest retailer in our sample.



Figure 1 Retail Sector Revenue 2022

Retail Sector Revenue 2012 to 2022

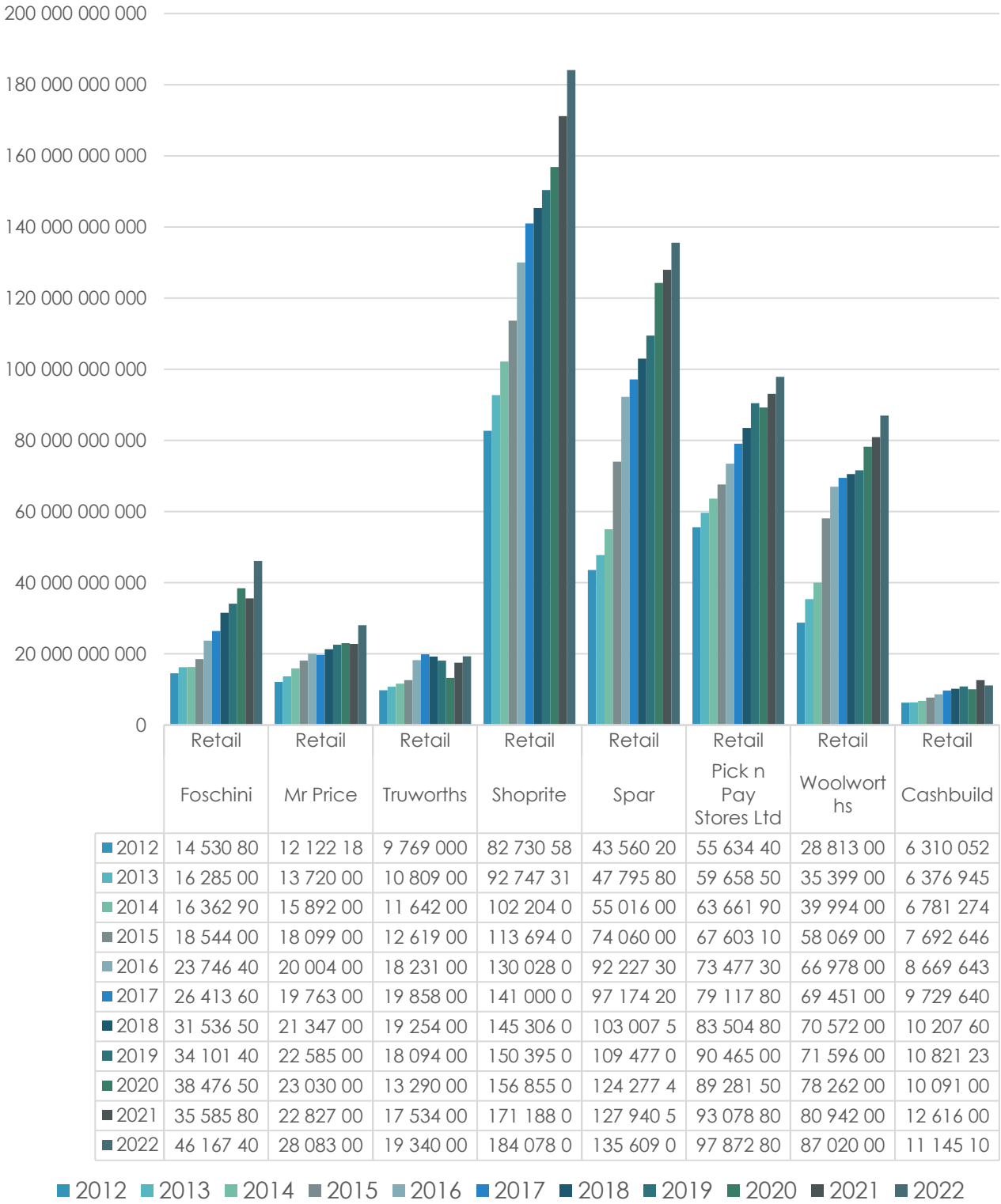


Figure 2 Retail Sector Revenue 2012 to 2022



Figure 3 Retail Sector Average Revenue 2012 to 2022

Profit before Tax

In 2022, seven out of eight companies on the list reported an increase in profit before tax. Truworths, Mr Price, Pick n Pay and Shoprite reported big increases, while Spar and Woolworths report very small increases. Cashbuild reported an 18% decline in PBT. Foschini, reported a large PBT of over R4 billion, coming from a loss of over R1,7 billion in 2021.

Shoprite remains the biggest earner in the sample with profit before tax of over ZAR 8 billion

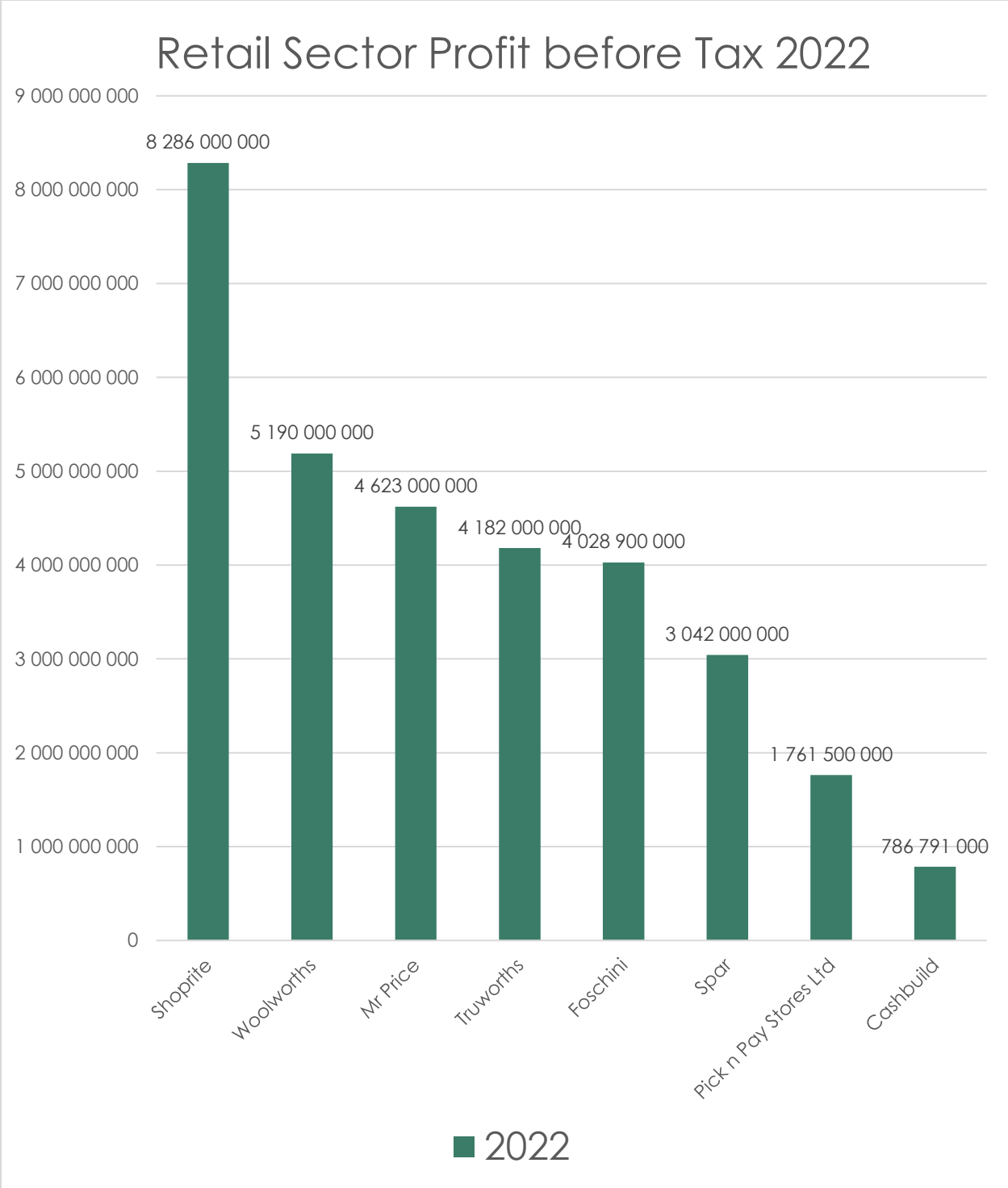


Figure 4 Retail Sector Profit before Tax 2022

Retail Sector Profit before Tax 2014 to 2022

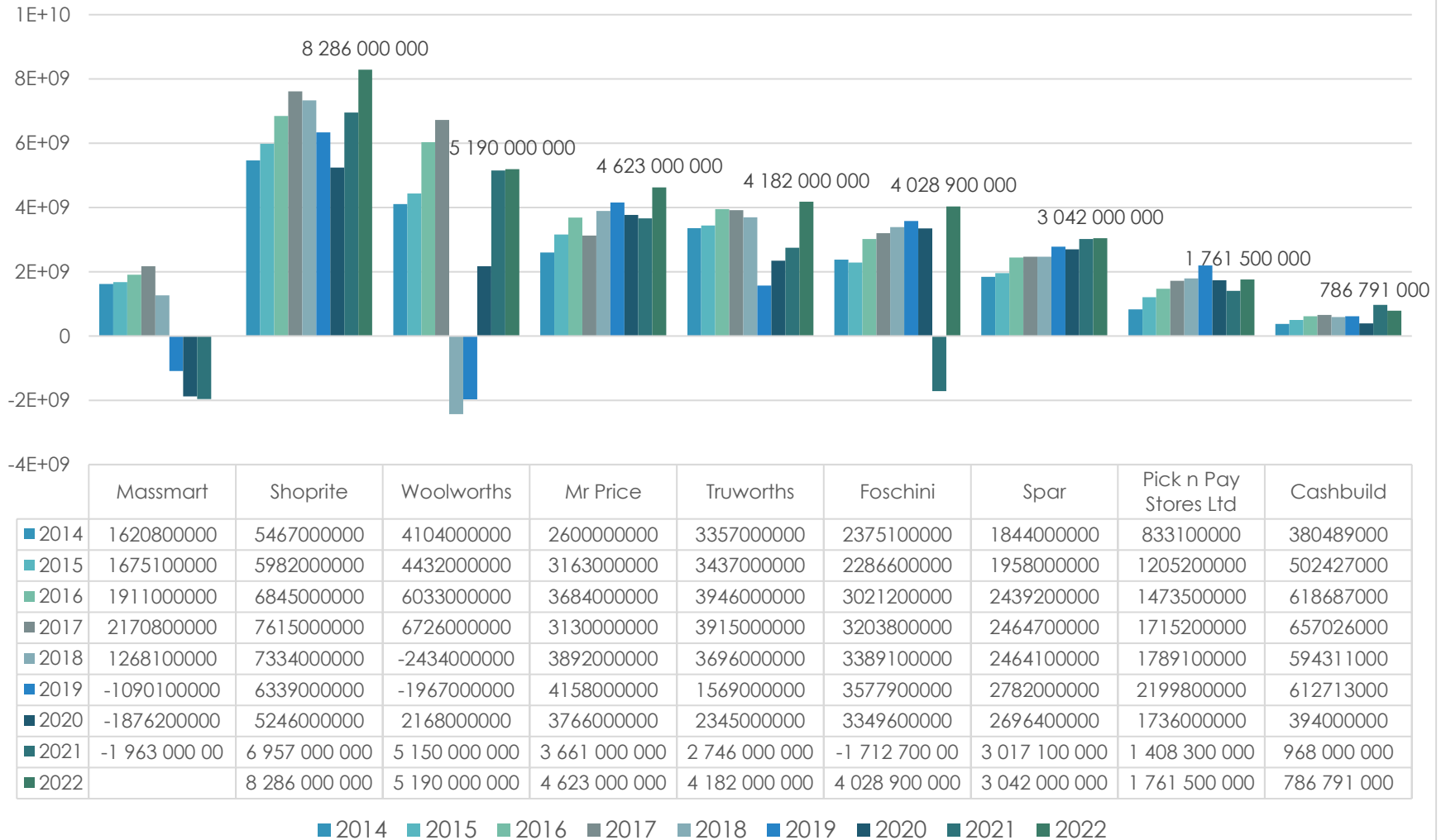


Figure 5 Retail Sector Profit before Tax 2014 to 2022

Retail Sector Average Profit before Tax 2014 to 2022

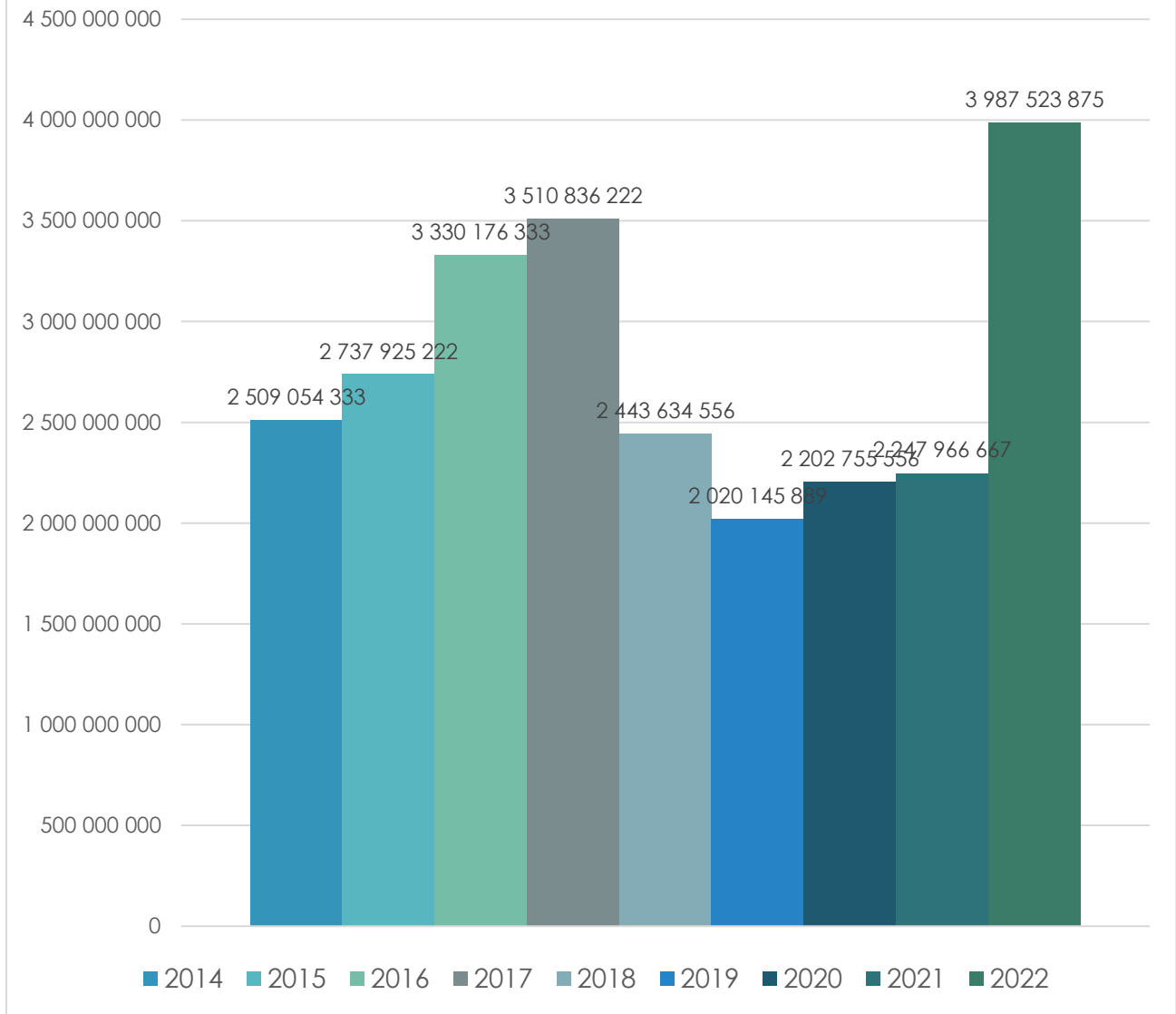


Figure 6 Retail Sector Average Profit before Tax 2014 to 2022

Directors' Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven years. In the retail sector, and our sample specifically, we see the general trend over time being upwards, with a large spike in 2016 when the then Shoprite CEO retired and was paid a significant LTI (see *Figure 9*). There is another spike in 2021, when CEO of Pick n Pay Richard Brasher retired and received an LTI payment of ZAR 115 million.

When looking at *Figure 9*, we see that in 2017, 2018, and 2019 we can see a large gap between the average total remuneration without LTI and total remuneration including LTI. This shows that large LTIs were paid in these three years. This gap closes in 2020, which was arguably a very difficult year for retailers. In 2021, this gap widens significantly – mainly due to the LTI paid to the outgoing CEO of Pick n Pay.

From 2020 to 2021, average total remuneration (including LTI) went up by over 100% - almost no LTIs were paid in 2020 due to the effects of the pandemic, so the increase is from a low base. However, the average is the highest it's been since 2016. From 2021 to 2022, average executive remuneration in the retail sector decreased by just over 1%.

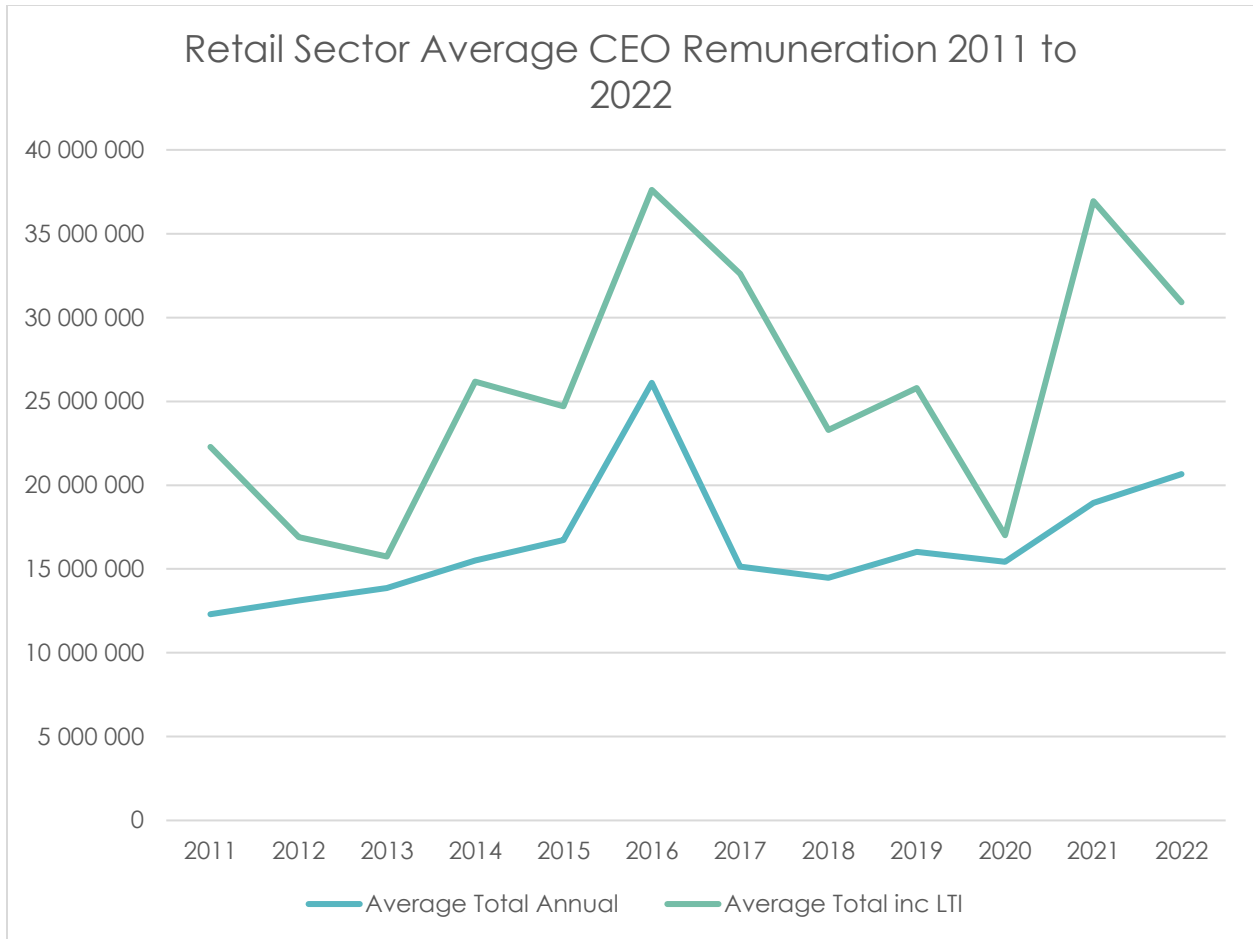


Figure 7 Retail Sector CEO Remuneration 2011 to 2022

CEO Remuneration 2021

In the retail sector, the highest paid CEO in our sample was the CEO of Shoprite, Pieter Engelbrecht. He received an LTI of almost R 30 million as well as salary of R16 million and a cash bonus of R16 million. This amounts to total remuneration of over R63,46 million.

The CEO of Mr Price, Mark Blair, received an LTI of over R36 million. His total remuneration comes to R56,5 million, the second highest earner in our sample. On average, CEOs in our sample received more than R30 million in total remuneration in the 2022 financial year.

On average, from 2020 to 2021, average total executive remuneration went up over 100%. From 2021 to 2022, average executive remuneration in the retail sector decreased by just over 1%.

In the same period, average non-executive remuneration went up by 21%.

Retail Sector CEO Remuneration 2022

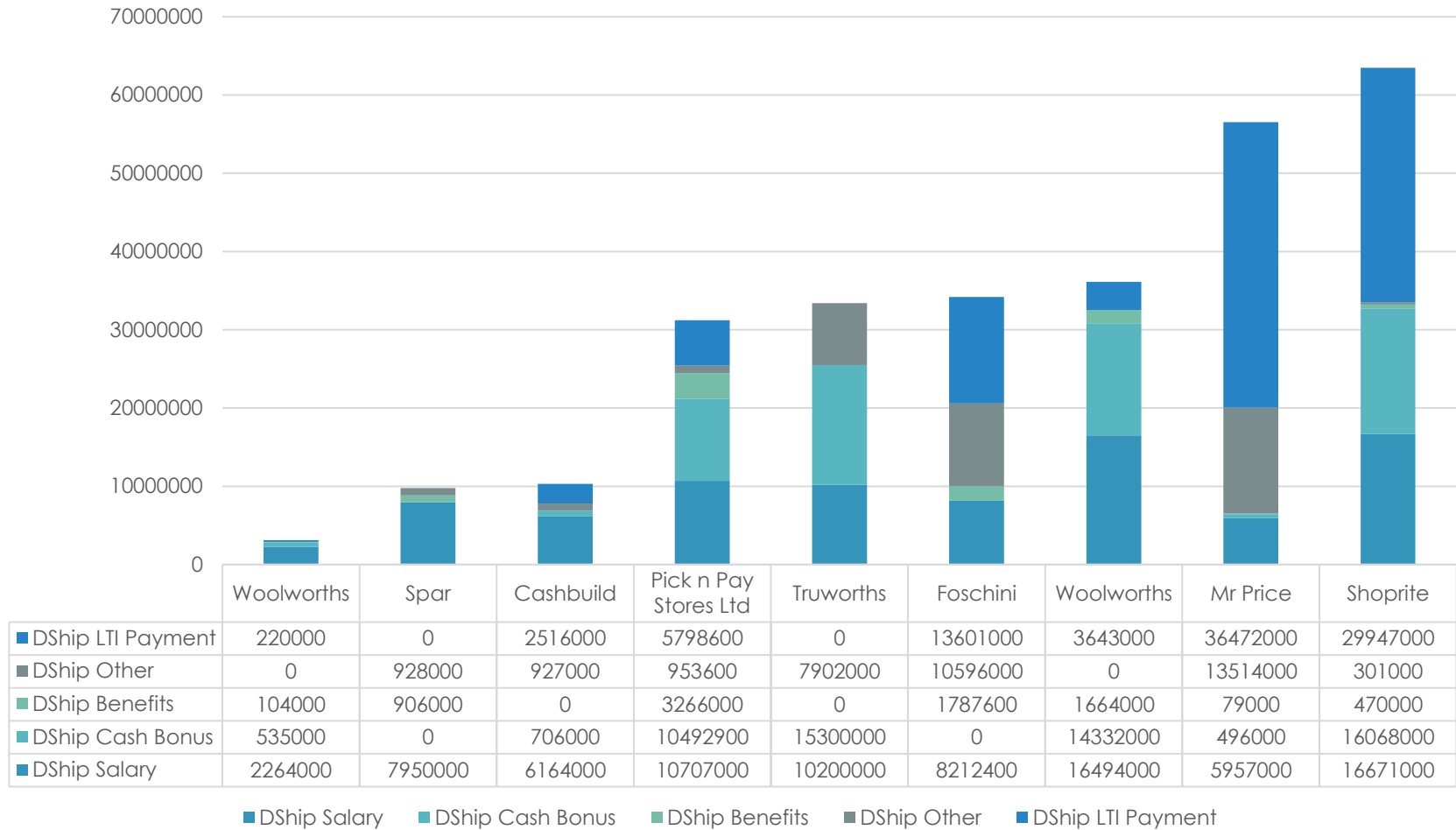


Figure 8 Retail Sector CEO Remuneration 2022

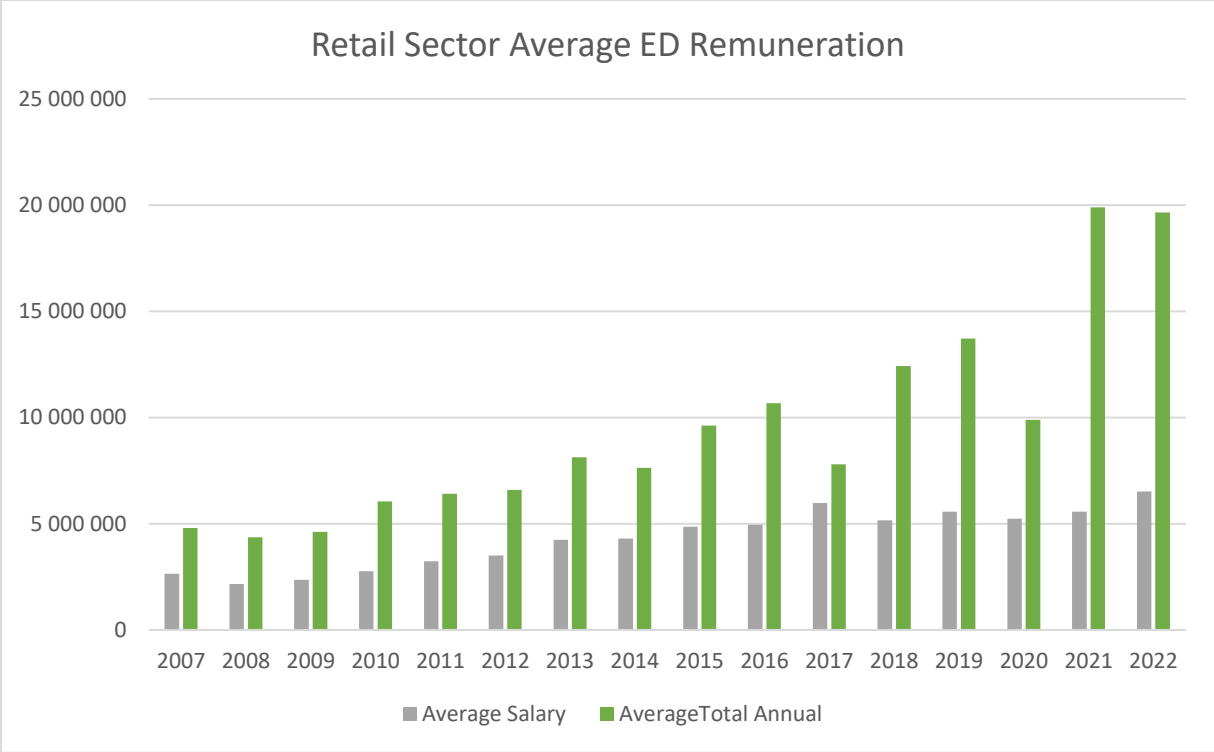


Figure 9 Retail Sector Average Executive Director Remuneration 2007 to 2022

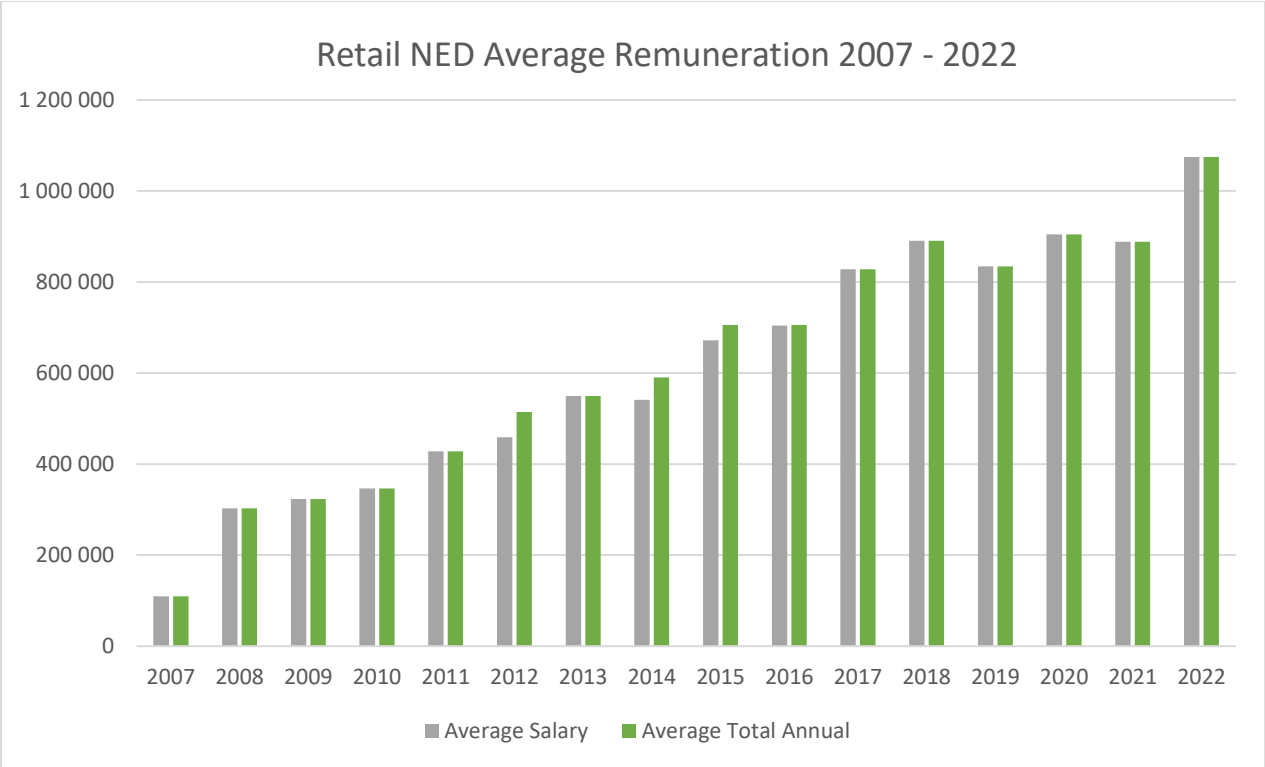


Figure 10 Retail Sector NED Average Total Annual Remuneration 2007 to 2022