Metro cashes and carries off to market in Maputo

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By HILARY JOFFE

SUPERMARKET chain Metro Cash and Carry is looking to Africa for new markets, with Mozambique first on its list.

It joins other South African companies, such as Premier, Anglo American and Sappi, which have recently announced plans to expand into Mozambique as that country has opened up to foreign investors.

Metro managing director Cecil Smith said this week the wholesale chain was negotiating with Mozambican partners which would share in the new venture, and was looking for land and buildings in the country. It was also in the negotiating stage with other African countries further north.

Stores in Mozambique would fit well with the mine stores division of the Metro subsidiary, Frasers, Smith said. They would give Mozambican miners the opportunity to pay in South Africa and take delivery of goods in their home country. They could, for example, send Metro vouchers which their wives could spend in the stores there, Smith said.

The group has 52 mine stores in South Africa — Smith points out these are much more upmarket than they used to be — and plans to have 100 by the end of the century.

The wholesale chain and Frasers already have stores in Botswana, Lesotho and Swaziland but Smith believes expansion beyond Southern Africa has the potential to double the group's size over the next 20 years.

South Africa's wholesale "cash and carry" market is worth over R6-billion and Smith estimates Metro's market share at 46 percent.

The wholesale market has grown as the manufacturers have been willing to give up a greater share of their distribution — the "hyper-stores", for example, now account for 63 percent of grocery and toiletry sales. Meanwhile the number of small independent retailers has declined, although those who remain are more efficient and are selling more, particularly in black rural areas, Smith says.

At the announcement last week of the interim results of Metro's parent group, Tradegro, Smith rejected the notion that the "spaza" stores, grocery stores operated from township houses, represented a R2-billion new market. "The spazas have always been there — we used to call them 'bucket shops' — and the market has been growing at the same rate as any other," Smith said.

The R2-billion, calculated by IBIS, represents the unexplained gap between what the manufacturers produce and what is sold by the retail and wholesale chains, and covers the "spazas" as well as other items, for example exports, Smith believes.

Metro's sales for the six months to December totalled over R1,4-billion, a 19 percent increase on the same period in 1987, and pre-tax profits were up by 21 percent.

The Tradgro group's interim results for the six months to the end of December were boosted by a 132 percent increase in the profits before tax of its largest subsidiary, Checkers, which a few years ago was losing large sums. In the financial year 1986 it recorded an operating loss of almost R40-million, contributing to Tradegro's R58,5-million losses.

Tradegro chief executive Donald Masson announced a 39 percent increase in attributable profit, due in part to an 18 percent improvement in group sales.

The R1-billion Tradegro group has 1 200 stores, which serve about 800-million customers each year, Masson said. Among the others in the group are Jazz Stores, Cashbuild, Rusfurn and Stuttafords/Greatermans.