

BUSINESS

Big firms stay put, small ones not sure

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BY NICK WILSON



Police search for looters in a ransacked Shoprite store in central Durban. Picture: GALLO IMAGES/DARREN STEWART

As JSE-listed businesses, from retailers and property companies to liquor groups, picked up the pieces this week after widespread looting that damaged stores and warehouses and destroyed stock, some owners of smaller businesses caught in the middle of the mayhem are keen to quit SA.

Brett Botten, CEO of Durban-based Spar SA, said that "despite the loss of business caused by the looting, vandalism and violence" its retailers had "expressed a firm commitment to start again".

"This speaks to the resilience and entrepreneurial spirit of Spar's retailers, who are intensely aware of the role they play within their communities and who are being encouraged by these same communities to rebuild what has been lost," said Botten.

"At this early stage it is difficult to assess the full impact on Spar's existing store rollout plans for 2021. Given the level of destruction caused within this region due to the recent civil unrest, it is reasonable to expect delays to the pipeline of new Spar stores in KwaZulu-Natal."

In May, Spar said it planned to open 60 new stores - on top of the 43 already launched - in SA by the end of its financial year in September.

Botten said the "manufacturing and supplier landscape has changed and there will be extensive demand for store fittings and equipment given the high level of damage caused to hundreds of businesses".

Spar's initial assessment on July 16 showed 184 stores, including 62 Tops liquor stores and 31 Build it stores, were "severely impacted" as a result of looting and vandalism across Gauteng and predominantly in KwaZulu-Natal, representing about 7% of Spar's store network in Southern Africa.

The group said on Friday so far 38 stores that were looted have been cleaned, restocked and reopened.

Botten said this week: "We are understandably concerned about the impact on our communities and our country and for this reason Spar has the resolute desire to rebuild and help lessen the extent of the damage and devastation caused within our communities."

In a statement on its recovery and which also called for the liquor ban to be lifted, Pick n Pay Group CEO Pieter Boone said that "136 grocery, clothing and building stores were looted and/or burnt, along with 76 liquor stores in KwaZulu-Natal and Gauteng". Two distribution centres in KwaZulu-Natal were "severely damaged".

After visits to affected areas, Boone said: "The scale and nature of the destruction is heart-breaking". But he was "inspired" by Pick n Pay and Boxer staff's efforts to clean up, rebuild and restock stores.

"The progress since I was here last week is massive. Every day, our teams are accelerating their progress," said Boone.

By the end of July the group plans to reopen 58 of its 136 looted or damaged stores.

Boone said it was time for President Cyril Ramaphosa to lift the ban on alcohol sales as SA had "hopefully passed the peak" of the third Covid wave.

"In normal times, many independent shopkeepers depend on responsible liquor sales to sustain their businesses, and will not survive another prolonged ban," he said.

"The social unrest, looting, and damage have dealt them a further body blow, as well as releasing a large amount of looted liquor into the illicit market. Lifting the ban will be widely welcomed across the country as a positive and responsible step forward in our recovery from the events of last week."

Distell said one of its distribution centres in KwaZulu-Natal was damaged and its operations disrupted. "Initial assessments placed the damage at approximately R100m. All other sites in South Africa are secure and without damage, and we have put additional security in place until the situation calms."

Distell also expressed concern about the alcohol ban, saying the "recent unrest demonstrates the unfortunate effect syndicates have in an environment where poverty and unemployment have been exacerbated" by the pandemic.

"Recent research shows that bans on alcohol sales have increased and fuelled the illicit trade. This has now reached an unacceptable 22% of total market volumes in South Africa, worth R20.5bn in sales value. This has cost the fiscus R11.3bn in tax revenues at a time when the country can least afford it," it said.

SAB's attempt to have the government's latest alcohol sales ban overturned was dismissed by the Western Cape High Court on Thursday. The brewing group said it was "disappointed" by the court's decision "to not overturn the current alcohol ban". SAB is still pursuing a separate case challenging the constitutionality of alcohol bans.

On Wednesday, the Western Cape High Court reserved judgment in Vinpro's urgent interim interdict application aimed at affording "the premier of the Western Cape the power to adopt deviations" in the national ban on alcohol to "enable off- and on-[site] consumption sale of liquor in the province".

For some retailers the upheaval in KwaZulu-Natal and Gauteng did not hit their bottom line, possibly because shoppers elsewhere, unnerved by looting, stocked up on groceries.

In an update this week, Shoprite said as at July 18 (last Sunday), the strong turnover in the remainder of the group's nationwide operations meant its Supermarkets RSA segment achieved "positive sales growth" in the same week of the looting and violence.

"This is despite the direct impact of this unrest on our store base in the KwaZulu-Natal and Gauteng provinces, precautionary measures taken by the group to close additional stores, and our LiquorShop business being closed due to lockdown regulations," said the company.

Shoprite said of the 1,189 supermarkets trading as Shoprite, Usave, Checkers and Checkers Hyper, 119 stores were "severely impacted as a result of looting and/or fire damage", while 54 of 537 LiquorShop outlets were "impacted".

Its Freshmark distribution centre in Durban was also "looted", but its operational capacity had been fully restored since last Sunday. Of Shoprite's 340 furniture stores in SA, 35 "experienced severe damage either from vandalism, looting and/or fire", the company said.

'Fully operational'

Mr Price Group said the damage from looting "did not increase materially beyond" what it first reported and involved 111 stores.

"At one stage over 500 of the group's stores were temporarily closed but this has now significantly reduced to 20 temporary store closures."

Efforts to ensure the group's distribution centres were unaffected meant that as of Tuesday, "these sites were fully operational, including all logistics and distribution activities", said the group.

Woolworths said on Monday that during the looting it had to temporarily close all stores in KwaZulu-Natal, as well as some in Gauteng, to protect staff and customers. Woolworths online deliveries and some suppliers in affected areas were also "significantly affected".

Eleven Woolworths stores were looted and damaged.

"Although looters gained entry to the Woolworths Maxmead distribution centre [in Pinetown] in KwaZulu-Natal the infrastructure was not severely damaged and has been secured, together with our other distribution centres. Operations have resumed and we have prioritised the provision of food into KwaZulu-Natal," said Woolworths.

Growthpoint Properties, SA's largest listed property stock, said seven of its KwaZulu-Natal properties, representing 2.3% of its total gross lettable area in SA, had been damaged, but none of its portfolio in other parts of the country suffered damage.

It was continuing to "focus on reinstating trading and operations at all these affected facilities but is monitoring the volatile situation" and had installed additional security at "high-risk assets".

The logistics real-estate sector was hit hard in the riots. The sector focuses on storage, warehousing and distribution, and is considered to be one of the fastest-growing property categories in the world. It has boomed in recent years because of the growth of e-commerce.

But Equites CEO Andrea Taverna-Turisan said the group, which is still assessing damage to one warehouse in Durban, was "currently committed to over 81,000m² of new development in SA" for tenants and that none of its clients was pulling back on expansion, despite the violence.

The group, which specialises in logistics property assets, said it was committed to SA. "Our reasoning is we are a South African company and we need to grow and ultimately logistics is the future of the world. You either pack up your bags and run away or you carry on, and we are not packing up our bags and running away, we are carrying on."

But some owners of small and medium enterprises, according to one immigration organisation, were making inquiries about possibly moving their businesses to Canada as a result of the destruction of businesses.

Nicholas Avramis, an emigration consultant with Johannesburg-based Beaver Immigration, which specialises in Canadian immigration services, says that "requests for Canadian business immigration services have surged in the past week" from business owners in KwaZulu-Natal and Gauteng.

He said recent events had "really shaken people" and there were now serious overtures from clients looking to move their businesses, whereas in the past they might have just talked about emigrating without taking the necessary first steps.

These were companies with gross annual revenues of R10m-R50m and many planned to use insurance payouts to start up again in Canada.

Avramis said there were inquiries across all demographics, but there was a "great deal of interest" from SA's Indian community in Durban and other areas of KwaZulu-Natal.

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