

Security, electricity costs hit Shoprite bottom line

CAPE TOWN - Armed robberies and Eskom's load shedding have cost SA's largest supermarket group Shoprite Holdings an additional R3bn in operating costs this year...



Whitey Basson.
Photographer: Trevor Samson

Image source: [BDive](#)

These costs - representing more than 2.5% of revenue and 13% of trading profits - were disclosed yesterday by Shoprite at an investment briefing on its June year-end results.

Shoprite CEO Whitey Basson said the group's cost of security for the financial year was more than R1bn. "It now exceeds our transport costs," he added.

The group's security spend is almost equivalent to the gross profits reported by newly listed African supermarket business Choppies in its 2014 financial year results.

Basson said on average three stores were hit each week by armed robbers. Shoprite serves as a pay-point for social grants, and the increase in robberies on payout days has forced the company to bolster security at its supermarkets.

Lentus Asset Management portfolio manager Nic NormanSmith said Shoprite's security spend showed the real cost of doing business in SA.

"Whatever way you look at it, R1bn is a big number, which could have been spent creating more jobs or lowering their prices," he said yesterday.

Shoprite said at the investment presentation that it had created nearly 10,000 jobs during the financial year.

Norman-Smith noted that while the additional costs incurred on security would be perceived as a negative, it might also

deter competitors from infringing on Shoprite's turf.

"Shoprite clearly knows how to manage emerging market risks. When compared with their global peers it's astounding that it manages to maintain a trading margin of over 5%," he said.

Shoprite chief financial officer Marius Bosman said in the last 18 months there had been more than 230 armed robberies at its shops, mostly around shops where social grants were paid out, he said.

There had been 102 armed robberies in the past seven months - up from 92 in the preceding seven months.

Gareth Newham, head of governance, crime and justice at the Institute for Securities Studies, yesterday confirmed that there had been a huge rise in business-related robberies - estimating that the incidence had risen 400% in the last 10 years.

He argued that these robberies were likely to increase until there was an intelligence-led strategy by the police to combat such crimes. "This happened in Gauteng between 2009 and 2011 when the police managed to bring down business-related robberies by 19%," he said.

Shoprite also reported that the cost of ensuring electricity supply to its shops had increased 18.5% to almost R2bn.

Over and above higher electricity tariffs, the company was forced to spend R160m on additional generators for use during load shedding. Another R33m was spent on diesel for the generators.

Basson said Shoprite experienced a total of 139,000 hours of store downtime - equal to one full week of trading lost by each store in the group.

Source: Business Day

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