The internationalisation of supermarkets and the nature of competitive rivalry in retailing in southern Africa

1. What has happened?

• Rapid spread of supermarkets in southern Africa in the past 2 decades

• Mainly SA owned chains, but recently global multinationals and regional chains entering

• Research assesses degree and drivers of internationalisation of supermarkets, and impact on competition, in southern Africa

2. Why is it relevant?

• Implications on consumers and suppliers

• Supermarkets are key routes to market:
  - Stimulate growth of food processing and light manufacturing industries in the region
  - Impacts industrialisation and trade in the region

• Affects, and is affected by, the local competitive landscape:
  - Buyer power of supermarkets impacts suppliers
  - Price, quality, convenience and choice resulting from competition benefits consumers

3. What has driven internationalisation?

• Increasing urbanisation and GDP growth rates:

  \[\text{Source: UN and World Bank}\]

• Increased FDI & trade liberalisation

• Modernisation of procurement systems & centralised distribution resulting in economies of scale

• Greater sales & profits in southern Africa: asset exploiting/new market-seeking theories of internationalisation

• ‘Ownership’ and ‘Location’ advantages, and ‘Internalisation’ of multinational chains

4. Internationalisation of supermarkets in southern Africa

• Different degrees of internationalisation given differences in:
  - Political, economic and social realities in each country
  - National policies (local content/industry protection)
  - The nature of competitive rivalry locally

• National market shares of formal supermarkets chains (no. of stores):

5. Impact on competition

• Formal supermarkets compete on ‘Price-Quality-Range-Service’ package, including through formats and location

• Concentrated, oligopolistic markets

• Structural barriers to entry (distribution centres, finance, retail skills)

• Strategic barriers – exclusive clauses in leases; exploitation of buyer power – practices are ‘exported’ to the region by SA supermarket chains with market power

6. Recommendations

Address bottlenecks to internationalisation and competition:

• Develop harmonised ‘regional content’ policies

• Removal of exclusive leases by competition authorities

• Open up retail spaces through urban planning

• Create regional codes of conduct between supermarkets and suppliers