

Retail across borders



CHOPPIES

brings its successful Botswana supermarket model to South African soil

Major Botswana supermarket chain, Choppies has brought a distinct Botswana flavour to their South African expansion strategy, using the North West as its anchor province.

BY LAURA DURHAM

Botswana supermarket giant, Choppies is using the North West as the anchor for its aggressive expansion strategy into the South African retail market. Bringing with it solid supplier relationships, inviting store design and a distinct Botswana flavour, Choppies is aiming for 150 stores in the next five years.

Back in Botswana

Choppies was started by Farouk Ismail eight years ago as a stand-alone supermarket in Botswana and after Ram Ottappath came on board as Group CEO, the lone supermarket became a successful retail chain. The name 'Choppies' stems from Ismail's family name 'Chopdat'.

"It was a bumpy ride but Choppies began to expand across Botswana," says Choppies SA CEO, Deon Bauermeister. "At first suppliers were hesitant to deal with an

unknown group but solid relationships have been built and there are now 49 Choppies stores in Botswana," he says.

Choppies is now the biggest retailer in Botswana with a 35% share of the total market, which includes wholesalers – still a large part of the sector.

Choppies had reached saturation point in Botswana so an expansion strategy into South Africa was the obvious choice geographically. They plan to open stores in the areas that border Botswana, namely Limpopo, North West and the northern Free State. There are currently nine stores in South Africa, with five more planned by the end of the year. So far, Choppies' presence has been well received by the community, particularly those welcoming the first formal supermarket in their town, such as Koster in the North West.

"Our ambition is to open 120-150 stores in five years," says Bauermeister. The Group plans to stay out of Gauteng for the meantime, as there are already many retail and wholesale stores in the region.

The Botswana flavour

"We've brought a lot of Botswana to South Africa – but the trading environments are very different," says Bauermeister. For example, the popular items in the take-away department of a Botswana store are home-cooked meals, like pap & stew, whereas the most popular item in the South African equivalent would be a convenience option, such as chicken & chips.

Ignoring one's trading environment would be a silly mistake to make so it has been important to make sure the Botswana model is not only adapted to suit South Africa, but the specific region and town Choppies operates in. Managers from Choppies Botswana have been placed in each store but the rest of the staff complement is sourced locally.

"South Africans also spend much more than customers in Botswana, who have also not been spoilt with convenience," he says. This is illustrated by the average basket size of over R100 in the Rustenburg store, made



The Pretoria Market supplies every Choppies store with their fresh produce needs and each store has its own truck to cater for its respective demand.

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up of trolley loads and top-up purchases. Botswana shoppers are happy with just the basic line items, whereas South Africans – who are spoilt for choice – opt for more value-added products.

The Botswana retail environment is also still very wholesale orientated and bulk products are the best sellers. For example, 5kg rice is as popular in Botswana as 2kg rice in South Africa.

Challenges to entry

One serious challenge faced by the expansion into South Africa has been streamlining the supply chain and improving logistics. "We are competing against the Big 4 – but even though we're situated in the heart of the opposition, we're actually doing really well," he says. For example, just down the road from the Rustenburg store is a Pick n Pay, Shoprite, Boxer and the very successful wholesale operation, Trans.

The model may have been established in Botswana but dynamic leadership and quick decision-making processes has made the transition to the South African retail landscape much easier. "We are lucky to not be stuck in corporate bureaucracy like some other retail groups," says Bauermeister, "and this is a huge advantage, especially for our aggressive expansion strategy".

They are in the process of building a 10 000m² distribution centre in Rustenburg, which will service all the stores in a 500km

radius. It should be up and running by September. At the moment, most stores are being supplied directly by suppliers, although one or two of the bigger stores are storing stock in advance in order to benefit from the truckload allowance from suppliers. Choppies also buys strategically for promotions and space to hold this stock is therefore essential.

Inside the store

The 3 000m² Rustenburg store is brightly lit, with wide and uncluttered aisles and the bold red and green Choppies colours differentiate each service department.

The Take-away department offers a range of wholesome and basic meals and the lunchtime queue starts as early as 11.30am.

Cold cuts have been moved to the butchery where customers can also choose from a variety of bulk meat cuts. Customers can also choose from pre-packed meats, as well as more value-add marinated options.

Store: **Choppies**

Location: **Rustenburg**

Trading area: **3 000m²**

Staff members: **143**

Trading hours: **8am to 8pm**

Feet count: **21 000 per week**

The Rustenburg store caters for a broad customer base (ranging from LSMs 1 – 7) so the product range needs to reflect this. The Koster store, for example, is the only supermarket in town and therefore needs to cater for low- to upper-income customers. The store-baked brown bread is more popular than white at the bakery, although the Rustenburg store's top seller is white bread rolls, followed by cakes. Customers are able to request cakes for special occasions from the bakery and an outside cake supplier has just been brought in to meet the sweet demand.

The Pretoria Market supplies every Choppies store with their fresh produce needs and each store has its own truck to cater for its respective demand. Bauermeister says that there has also been interest by higher income customers for added value with pre-packed produce. For example, the Swartruggens store has a big



Choppies SA CEO, Deon Bauermeister says the Choppies private label range currently contributes around 5% in South African stores. This has room to grow as the Botswana stores are seeing a contribution of nearly 10%.

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The queue at the take-away department – which offers a range of home cooked meals as well as convenience combinations – begins at 11.30am!

section of pre-packed produce to cater for the customers' demands.

In terms of the stores' General Merchandise departments, the stores start



Personal care products are kept behind the kiosks to prevent pilfering. A range of value added services, such as Lotto, airtime and prepaid electricity are offered – and soon a bill paying system.

off with a wide selection, which is then chopped down according to line movement. Tailor-making the offering and catering for the specific customer base's needs is part of the reason why Choppies is becoming the store of choice for many shoppers.

The store is open from 8 to 8 each day, which is a huge advantage against competition. Opening hours do vary

between store locations – for example, the mine shifts in Rustenburg make for quite a few peaks during the day. But the after work trade time is always the busiest.

Safeguarding the store

Shrinkage is always a challenge for retailers as pilferage is much more prevalent in South Africa than Botswana, Bauermeister says. The usual security measures are in

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place – CCTV, checking slips at the exit and strict controls at receiving – and personal care products are kept behind the kiosks.

Serving the community

Choppies has a strong sense of social responsibility and tries to help each store's surrounding community as much as possible. This includes stock and cash donations to charities, schools and old age homes.

For the store opening in December last year, Choppies ran deep cut promotions to draw feet to the store and entertained customers with traditional dancing. The presence of local government officials and strong advertising running up to the event saw the opening as "chaos", says



Customers can choose from a variety of bulk meat cuts at the butchery, where a value-added pre-packaged and marinated offering is also available.

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Bauermeister, as there were just so many people. "We literally ran out of trolleys (although there are more than enough) and customers were helping other customers get their shopping to the car so they could use the trolley!" he laughs.

The stores run month end and mid-month promotions, as well as weekend specials to draw extra feet.

With a feet count of 21 000 per week, Choppies Rustenburg is certainly doing well, which just shows how right they've got the customer profile. Choppies also has an extensive private label presence in-store, with a contribution of around 5% from the Choppies products in every category. There is room to grow this, of course, as private label contributes nearly 10% in the average Botswana store.

The three kiosks (each with their own till) offer customers the added services of airtime, Lotto, prepaid electricity and an easy-pay system, where they can pay bills, will soon be introduced. Choppies is also looking to bring money transfer with Standard Bank to each store – as this has become an accepted part of the Big 4's offering.

Looking ahead

Besides the aggressive expansion into South Africa, Choppies is also looking to Mozambique as another open market. "Choppies may have been established in Botswana, but we've come to South Africa with an aggressive approach in expansion and will be a force to be reckoned with," he says. 