



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 58/LM/Sept10

In the matter between:

Clidet No 1003 (Pty) Ltd

Acquiring Firm

And

ICC Mayibuye (Pty) Ltd

Target Firm

Panel : Yasmin Carrim (Presiding Member)
Medi Mokuena (Tribunal Member)
Andreas Wessels (Tribunal Member)

Heard on : 3 November 2010

Order issued on : 3 November 2010

Reasons issued on : 25 November 2010

Reasons for Decision

Approval

[1] On 3 November 2010, the Competition Tribunal (“Tribunal”) unconditionally approved the acquisition of ICC Mayibuye (Pty) Ltd t/a Savemoor Cash and Carry (“Savemoor”) by Clidet No 1003 (Pty) Ltd. The reasons for the approval of the transaction follow.

The parties and their activities

[2] The primary acquiring firm is Clidet No 1003 (Pty) Ltd (Pty) Ltd (“Newco”) a subsidiary of Masscash (Pty) Ltd (“Masscash”), a company part of the Massmart Group, Massmart Holdings Limited (“Massmart”).

- [3] Newco is a shelf company and has not previously traded. Massmart trades through various companies that fall under its four divisions namely; Massdiscounters,¹ Masswarehouse,² Massbuild³ and Masscash.⁴
- [4] The primary target firm is ICC Mayibuye (Pty) Ltd trading as Savemoor Cash and Carry (“Savemoor”). Savemoor conducts business as a retailer of grocery products to customers in the LSM 2 to 6 markets through its store located in Thembisa, Gauteng. Savemoor is primarily a retailer of grocery products but a small portion of its revenue constitutes sales at a wholesale level.

The proposed transaction

- [5] Masscash, through its subsidiary Newco, will acquire a 51% interest in Savemoor, the remaining 49% of the shareholding in Savemoor will be retained by one of the existing shareholders, a Mr Manual Eduardo Gouveia Ferreira.

Rationale for the proposed transaction

- [6] Massmart seeks to expand its current limited presence in the retail grocery market, and perceives Savemoor as a successful hybrid retail store through which it can promote Masscash’s Food Hybrid Strategy.
- [7] From Savemoor’s perspective this transaction provides the existing shareholders with on the one hand, an attractive opportunity to realise a

¹ Comprises of Game stores, which offers merchandise and non-perishable groceries to end consumers in 5-10 socio-economic groups and Dion Wired, which offers a more upmarket range of mainly electrical and electronic merchandise to the upper end consumer.

² Comprises of Makro, which trades in range of food, liquor and general merchandise to commercially affiliated sellers and upper income end consumers in the 6-10 socio economic groups.

³ Comprises of Builders Warehouse, Builders Express and Builders Trade Depot who sell hardware and home improvement products and building materials.

⁴ Comprises of Jumbo Cash and Carry which distributes cosmetic, toiletries and hair products for sale to lower to middle income urban customer and CBW which trades in basic grocery products and limited range of general merchandise . In this list there is also Shield which is as voluntary buying group serving independently owned food wholesale and retail outlet servicing customers in the LSM 2-6 socio-economic groups.

return on their investment to date, whilst on the other retaining a significant stake and involvement in the business.

Relevant markets and impact on competition

[8] The proposed merger affects two markets, namely the wholesale grocery market, within a 40-50km radius of the Savemoor store in Tembisa and the retail grocery market within a 10km radius of the Savemoor store in Tembisa.

Horizontal analysis

[9] Although there is an overlap between the activities of the merging firms we find the overlap to be insignificant. In the retail grocery market as defined above Savemoor's market share is approximately 20% and Massmart's, through their CBW Olifant's store, is only 1%. In the wholesale market Savemoor's market share is 1% and Massmart's is approximately 30%.⁵

[10] Given the low level of market share accretion, and the high number of effective competitors active in these markets, it is unlikely that the proposed merger will result in a substantial lessening or prevention of competition or would lead to any price escalations.

Vertical analysis

[11] There is a vertical relationship between the merging parties because Savemoor has made ad hoc purchases from the primary acquiring firm in the previous financial year. However these purchase have been infrequent and of low value. Accordingly the vertical overlap raises no foreclosure concerns.

[12] We find that the proposed merger is unlikely to substantially prevent or lessen competition in the markets for wholesale or retail grocery markets in Tembisa as defined above.

⁵ This figure includes the market shares of all Makro, CBW and Jumbo stores in this area.

Conclusion

[13] There are no significant public interest issues and we accordingly approve the transaction.

25 November 2010

Yasmin Carrim

DATE

Medi Mokuena and Andreas Wessels concurring

Tribunal Researcher : Thandi Lamprecht
For the merging parties : Cliffe Dekker Hofmeyr Attorneys
For the Commission : Thabelo Ravhugoni