



**competition commission**  
*south africa*

## **Media Statement**

**For Immediate Release**

**20 May 2022**

### **COMMISSION RECOMMENDS CONDITIONAL APPROVAL OF THE MERGER BETWEEN SHOPRITE SUPERMARKETS (PTY) LTD (“SHOPRITE SUPERMARKETS”) AND MASSMART HOLDINGS LIMITED (“MASSMART”)**

The Competition Commission (“Commission”) has recommended that the Competition Tribunal (“Tribunal”) approve Shoprite Supermarket’s proposed acquisition of the multiple retail stores operated under Massmart’s Rhino and Cambridge brands subject to competition and public interest conditions. The merger involves grocery, liquor stores, wholesale stores and Massfresh business.

The Commission found that the merger does not raise any competition or public interest concerns in the wholesale of grocery products but found that the merger is likely to raise substantial competition concerns in the retail supply of grocery products nationally and in specific local market areas. The Commission concluded that the merger’s approval is justifiable from a public interest perspective.

Shoprite Supermarkets is controlled by Shoprite Checkers Proprietary Limited (“Shoprite Checkers”), which is in turn, owned by Shoprite Holdings Limited, a firm listed on the Johannesburg Securities Exchange. Of relevance to the proposed transaction are Shoprite Checkers retail grocery activities which are conducted through its Checkers, Checkers Hyper, Shoprite, OK and Usave brands. Shoprite Holdings and all the firms it controls, shall be referred to as the “Shoprite Group”.

The Target Business is comprised of 56 retail grocery stores and 43 retail liquor stores operated under Massmart’s Rhino and Cambridge brands; 10 wholesale (cash and carry) stores; two wholesale liquor stores; and Massfresh (comprised of a meat processing and packing facility and Fruitspot, a fresh fruit and vegetable processing facility).

As reported publicly, Massmart and the Target Business have been underperforming for several years. The Target Business is considered non-core by Massmart, hence Massmart’s decision to dispose of the Target Business in its entirety.

The Commission’s investigation found that:

1. The closest competitors of national retail grocery chains such as the Shoprite Group are other national retail grocery chains namely the Target Business, Pick N Pay, SPAR and Woolworths. There was insufficient evidence indicating that smaller/regional retailers and hybrid/cash and carry stores compete directly with national retail grocery chains;
2. The Target Business is itself a national retail grocery chain and given the limited number of national retail grocery chains, the merger further increases the concentration in the retail supply of groceries by national grocery chains.
3. The supply of grocery products by national chains can be further narrowed into income groups. The Target Business's Cambridge and Rhino brands specifically target low-income customers based on their product range, locations, price points, and promotions. The Commission found that Shoprite Checkers is also active in the low-income customer segment through its Shoprite and Usave brands. Apart from the merging parties, there are only 2 other national players in this segment. Thus, the merger raised competition concerns in this market.

However, the Commission found that although there were other bidders for the Target Business, absent from the merger, the Target Business is likely to close due to its financial performance. This will result in the Target Business exiting the retail grocery market and, amongst others, the loss of all approximately 7 000 jobs at the Target Business.

Further, the Commission found that the remedies tendered by the parties to promote competition in highly concentrated local grocery retail markets go some way towards addressing the competition concerns identified. Additionally, the merging parties have agreed to a substantial package of public interest remedies that, when weighed against the possible exit of the Target Business, militate against the concerns identified. These public interest commitments include, *inter alia*, commitments that -

- i. no jobs will be lost at the merging firms because of the merger. Shoprite Group will implement programmes to increase employment opportunities post-merger;
- ii. an employee share ownership scheme will be implemented for the benefit of employees of the merging parties;
- iii. Shoprite Checkers will increase local procurement substantially and will invest in skills development which will benefit amongst others, over 1000 HDP students/youths;
- iv. Shoprite Checkers will continue to procure from the Target Business's SMME and HDP suppliers; and
- v. the merged entity will develop and support SMME and HDP retailers, suppliers, and other small businesses in their value chain.

The Competition Act enjoins the Commission to, notwithstanding the merger's impact on competition, determine whether a merger can or cannot be justified on public interest grounds. In the circumstances of the merger, the Commission concluded that its recommendation that the merger is approved is justifiable from a public interest perspective. The counterfactual results in worse outcomes from the perspective of both competition and public interest.

**[ENDS]**

**Issued by:**

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