



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 018226

In the matter between:

SHOPRITE CHECKERS PROPRIETARY LIMITED

Primary Acquiring Firm

And

GATERITE HYPERMARKET, THE BUSINESS OF NAWAFA TRADING CC

Primary Target Firm

Panel	: Mondo Mazwai (Presiding Member)
	: Medi Mokuena (Tribunal Member)
	: Andiswa Ndoni (Tribunal Member)
Heard on	: 12 March 2014
Order Issued on	: 12 March 2014
Reasons Issued on	: 8 April 2014

Reasons for Decision

Approval

[1] On 19 March 2014 the Competition Tribunal ("the Tribunal") unconditionally approved an acquisition by Shoprite Checkers Proprietary Limited of Gaterite Hypermarket, the supermarket business of Nafawa Trading CC.

[2] The reasons for unconditionally approving the proposed transaction follow.

Parties to the Transaction

Primary acquiring firm

[3] The primary acquiring firm is Shoprite Checkers Proprietary Limited ("**Shoprite**"), a company incorporated in terms of the laws of South Africa. Shoprite is involved in the retail and distribution of Fast Moving Consumer Goods.

[4] Shoprite is wholly controlled by Shoprite Holdings Limited ("**Shoprite Holdings**"). Shoprite Holdings operates 1482 corporate and 381 franchise outlets in 17 countries across Africa, including South Africa.

Primary target firm

[5] The primary target firm is the supermarket business of Nafawa Trading CC ("**Nafawa**") known as Gaterite Hypermarket ("**Gaterite**"). Nafawa is a single member close corporation trading in accordance with the laws of the Republic of South Africa. Nafawa operates two businesses, Gaterite and a wholesale business known as Gaterite Powertrade. Both businesses are situated in Verulam, Kwa-Zulu Natal.

Proposed Transaction

[6] The proposed transaction involves an acquisition by Shoprite of the supermarket business of Nafawa as a going concern; and the lease of the premises currently occupied by the target firm.

Rationale

[7] Shoprite believes that it is underrepresented in the Verulam area and thus wishes to expand its presence in the area. Furthermore, Shoprite has recently established a distribution centre near Verulam and considers acquiring the target firm to be sensible in light thereof.

[8] Gaterite is managed by the sole member of Nafawa who finds the management thereof to be too onerous.

Relevant Market and Impact on Competition

[9] Shoprite is involved in the retail sale of Fast Moving Consumer Goods¹ ("FMCG") while Gaterite is an owner managed halaal supermarket business. The Commission found the relevant market to be that for the retail of groceries and general merchandising.

[10] The merging parties and the Commission agree that the geographic market for a supermarket is generally local. Accordingly, the geographic market was defined narrowly as that falling within a 2km radius of the target firm.²

[11] Pre-merger, Shoprite holds a market share of between 5% and 15% while Gaterite holds about 30%. The proposed transaction will result in Shoprite holding a market share between 35% and 45%, post-merger. According to the Commission, the merged entity is unlikely to have market power post-merger as it will remain constrained by large players in the Verulam area such as Pick 'n Pay, Spar and Checkout Supermarket, and numerous smaller competitors.

¹ Fast Moving Consumer Goods include groceries, food, household, health, beauty, lifestyle consumer products, clothing, home ware, textiles and cellular phone products.

² This narrow geographic market was identified in light of the fact that customers in the Verulam area rely fairly heavily on public transport and are deemed unlikely to shop outside of this 2km radius. It is to be noted however that the narrow market may cause market shares to be inflated.

Public Interest

[12] No public interest concerns were identified by the Commission or by the merging parties.

Conclusion

[13] In light of the above we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the relevant market. Accordingly, we approve the transaction unconditionally.

8 April 2014

DATE


MONDO MAZWAI

Medi Mokuena and Andiswa Ndoni concurring

Tribunal Researcher: Shannon Quinn

For the merging parties: Petra Krusche - DLA Cliffe Dekker Hofmeyr

For the Commission: Thelani Luthuli and Grashum Mutizwa