Retailer slams bank charges

By Ann Crotty

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Pick n Pay chairman Gareth Ackerman has slammed South African bank charges, which he describes as excessive and in many cases, more than double European benchmarks.

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Ackerman said increasing numbers of the group's customers were using credit and debit cards to buy groceries but the interchange fee charged by the banks remained at unjustifiably high levels.

"It adds a disproportionate and unjustified amount to our costs," Ackerman said. "Despite an undertaking by the banks to revisit these charges, they remain excessive at 1.48% for credit card transactions and 0.44% for debit cards."

He said the charges were too high and did not reflect the banks' costs of operation.

Pick n Pay recently introduced a store card to give its customers a cheaper alternative to bank credit cards. It is also developing its money transfer service with newly licensed TymeDigital and has already registered 200,000 customers.

"We will be working closely with them to provide greater access to financial services for our customers," Ackerman said.

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Ackerman's comments were made at the release of Pick n Pay's interim results, which demonstrated the effect of continuing tough economic conditions combined with increasingly robust competition.

The results were also hit by steep once-off costs related to the group's voluntary severance programme, the first that it has carried out. Turnover growth in the six months to end-August was up 5.1%, to R39.3bn. On a like-for-like basis this was equivalent to an increase of just 1.8%. Trading profit advanced 15.8%, to R641.5m and the trading margin was up to 1.6%, from 1.5%.

If the R200m-plus cost of the voluntary severance programme is included, headline earnings fell 24.9%, to 61.88c a share. If the costs are excluded, the picture is significantly brighter, with headline earnings up 11.6%, to 91.99c a share.

Group CEO Richard Brasher said the full cost of the programme, which was implemented in the first half of the year, had to be written off during the review period. But he said the cost was expected to be recovered in full by the end of the financial year.

"The reduction in employee numbers is expected to have a substantial positive impact on the operating costs of the group in future years," said Brasher.

In line with this confidence, the interim dividend has been hiked 12%, to 33.4c a share.

The increase in private-label products and progress in centralising the supply chain helped to lift operating margins. Private-label products now account for 19% of groceries and the total volume of goods distributed through the group's centralised system increased five percentage points to 65%.

A new distribution centre is due to open in KwaZulu-Natal in the second half of the financial year and an additional centre may be opened in Gauteng.

Sasfin analyst Alec Abraham welcomed the steady progress Pick n Pay was making on improving its operating margins but was disappointed with the turnover figure. "Management continues to make progress on the efficiency front but it's struggling to maintain its share of wallet in a very competitive market," said Abraham.

Source: Business Day