

Second Builders Warehouse for Botswana

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Massmart has opened its second Builders Warehouse store in Botswana, in line with its African expansion strategy, the company said on Monday (29 July).



The International Monetary Fund (IMF) forecasts that the economy of sub-Saharan Africa will expand by 5.3% this year, above the 3.6% expected worldwide and the retailer, like its peers, is targeting African cities for expansion as an emerging middle class drives growth.

Massmart's chief executive Grant Pattison said the group, which has 381 stores in sub-Saharan Africa, had several new sites approved in its existing African markets.

"We are also focusing on East and West Africa, where we are already in the planning stages of implementing our discount food retail strategy," he said.

Walmart's acquisition of a 51% stake in Massmart in 2011 was the global retailer's ticket into the continent's consumer markets.

Africa expansion

According to professional services company PwC, the American retailer will initially focus on the South African market but plans to use Massmart's presence in 12 African countries as a stepping stone into the rest of Africa.

Massmart's Massbuild division invested R20.5m in a new 5,150m² Builders Warehouse, located in Somerset West, Francistown, in Botswana.

The group's central distribution centre, located in Midrand, will service all of Massbuild's brands throughout Africa, the company said.

Rival Cashbuild already operates 10 stores in Botswana. It also has stores in Malawi, Namibia and Swaziland.

Imara SP Reid equity research analyst Sibonginkosi Nyanga said Africa presented a compelling opportunity for the building materials and DIY retailers, but at an elevated risk.

"Returns in Africa are good but high returns are usually associated with increased risk. South African companies usually have a competitive advantage as their brands are tried and tested," he said.

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