

Omnichannel: a retail revolution

What started as a necessity during the pandemic has evolved into a retail revolution. Omnichannel retail, as an evolution of e-commerce, has become the backbone of modern shopping. South African retailers, particularly Shoprite Holdings, have embraced this shift through strategic investments that are now paying off handsomely. Digital transformation in the retail business is no longer optional; it's key to developing a competitive edge.



**Jana
van Rooyen**

Once upon a pre-COVID time, terms like “omnichannel” and “e-commerce” floated around boardrooms and strategy decks. Familiar, yes, but not indispensable. Then lockdowns hit, and suddenly online shopping wasn't just convenient, it became essential. As internet usage has soared and secure digital payments have become the norm, many have leaned into the ease of ordering

from their couches. Honestly, if you haven't had a Takealot delivery this month, a Checkers Sixty60 drop-off this week, or a Mr D meal delivered over the weekend, are you even living in 2025?

E-commerce vs. Omnichannel

E-commerce is the digital marketplace in motion — buying and selling through websites, apps, and online platforms. It covers everything from attracting consumers through enticing digital ads to processing payments with a single tap. Omnichannel, on the other hand, is the full symphony. Rather than just selling products online, omnichannel retail involves creating a seamless experience across every touchpoint, from your phone screen to the store aisle. It is the strategic fusion of digital convenience and physical presence. Retailers around the world have caught on: if you want growth, you need both.

Pure-play e-commerce has its advantages, but delivery costs can weigh on operational performance, especially when third-party couriers or distant fulfilment centres are involved. Without robust data and efficient inventory systems, retail businesses risk having a glorified dispatch service rather than a true omnichannel engine. Those that invested in infrastructure across the value chain, however, are the winners. They didn't sideline their stores; they supercharged them. Brick-and-mortar locations became

SPEED READ

- Online shopping has become more convenient and more essential, particularly post-COVID. E-commerce is all about online transactions, whereas omnichannel blends digital and physical touchpoints to provide a seamless customer experience.
- Shoprite's Checkers Sixty60 platform is one of the best local examples of omnichannel success. The platform leverages a wide range of local stores to drive superior growth.
- Despite strong growth, SA's omnichannel sales lag global averages due to limited internet access. However, the rise in digital payments hints at upside potential.
- While lagging the JSE's top performers this year, the underlying fundamentals of SA retailers remain strong, offering attractive buying opportunities amid improving economic sentiment.

marketing magnets and mini distribution hubs. By using stores as fulfilment points, omnichannel retailers slashed logistics costs and sped up delivery. Compared to centralised models, this hybrid approach is faster, cheaper, and smarter.

Local Legend

Recent results from Shoprite Holdings Ltd (SHP) for the 2025 financial year were exceptional, reflecting management's disciplined and strategic execution of a multi-year capital allocation plan. The company's investment in the Checkers Sixty60 platform has helped boost it far ahead of peers in recent years.

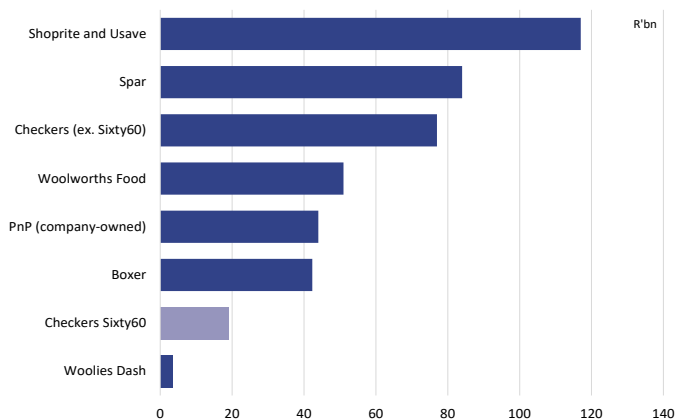
Originally launched via an external startup, Pingo, SHP has since brought the Sixty60 platform in-house. Customers can shop for groceries and essentials on the Sixty60 app, paying digitally, while the orders are fulfilled from a nearby Checkers store. The app also supports pickers, drivers, and management, who track preferences and stock to offer tailored deals and ensure local availability. With over 650

stores across Checkers, Checkers Hyper, and Checkers LiquorShop formats, location coverage has been key to driving growth. And yes, the “Sixty60” name isn’t just catchy, it’s a promise: delivery within 60 minutes.

What was once considered a “tech tax” for retail businesses - a necessary investment in pricing and digital infrastructure - has now evolved into a powerful margin-driving flywheel, reinforcing long-term value. We know that the Checkers Sixty60 platform is a moat for the company, because we see far more teal-coloured scooters on the roads than the black and yellow Woolies Dash, the white Spar2U, or the blue Mr D (which Pick n Pay franchisees use for delivery). However, it was difficult to grasp the true scale of its impact until more recently.

For the first time, Shoprite disclosed the actual revenue generated by the platform: R18.9 billion, an increase of 47.7% from the previous year. That is an 8.9% contribution to the Group’s SA Supermarkets turnover. Not impressed yet? Well, let me put it to you this way: the Sixty60 turnover is equivalent to the entire market cap of Pick n Pay. And yes, we know... once you strip out Boxer from Pick n Pay, the market is treating the “core” Pick n Pay business like forgotten celery sticks at the back of the fridge; zero to negligible value. Maybe the following chart will finally make your jaw drop.

SIXTY60’S REVENUE VS. PEERS



The turnover from Sixty60 now accounts for a whopping 43% of Pick n Pay’s company-owned supermarket turnover (excluding franchisee-owned stores), and 37% of Woolworths Foods’ total turnover. That is not just growth — it’s a full-blown retail glow-up.

Growth Potential: SA’s Room to Run

Data from local retailers suggests that SA’s total omnichannel contribution to retail sales is tracking below the global average. So why are SA’s omnichannel sales so low? One reason is that 21% of SA’s population (roughly

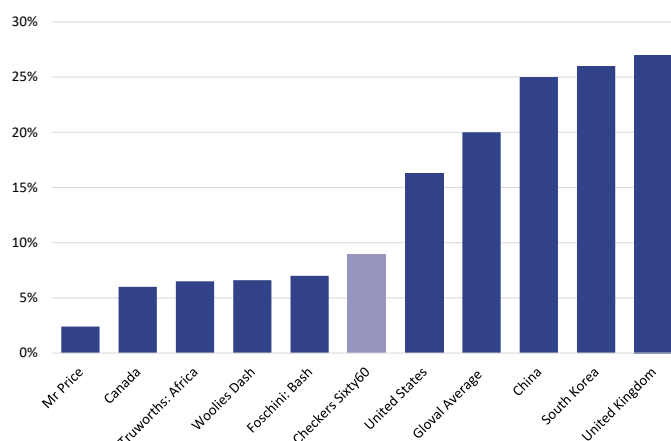


British Chef Jamie Oliver adds celebrity to Sixty60 marketing.

13.6 million people) do not have access to the internet, highlighting ongoing challenges in bridging the digital divide. Shoprite’s results supported this reason, noting that most of the growth for Checkers Sixty60 came from higher-income customers.

Although low, there has been a substantial uptick in the growth of e-commerce in SA. This growth was reflected in Capitec’s interim results. The bank recently reported on a continued shift from cash to digital payments. E-commerce transactions increased by 35% for the period, now totalling

ONLINE SALES CONTRIBUTION



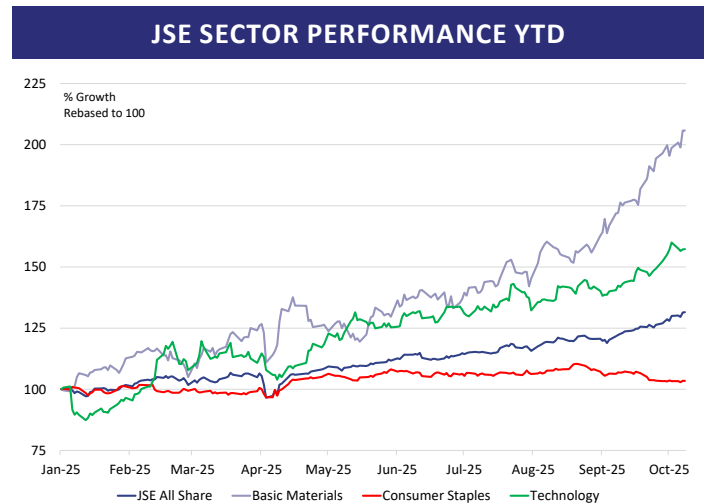
This chart shows the contribution of omnichannel sales to total retail sales for different countries and some of SA’s retailers. Although Checkers Sixty60’s contribution is stronger than other local retailers, it is still well below the global average, signalling further upside potential.

R69.1 billion. Since Capitec has a staggering 25 million clients, the lender's data provides a highly informative gauge of local consumer trends. Non-salary inflows rose 15%, hinting at a thriving informal economy. Given that 52% of the country's population lives in townships and rural areas, expanding internet access across these areas could unlock massive growth. More connectivity means more digital payments and greater opportunities for omnichannel retailers to thrive.

Retail Shares: Underperforming but Undervalued

The JSE All Share Index has hit record highs this year, but performance has mostly been driven by gold and platinum shares, along with tech stocks. Retail stocks, on the other hand, have been lacklustre this year. Since retail share price movements are strongly linked to sentiment around South Africa's economy, they fall within a category of shares popularly known as "SA Inc". The valuations of SA Inc. sectors generally reflect lingering concerns over political dynamics, economic softness, and underwhelming GDP growth this year.

Despite lacklustre price performance, the underlying fundamentals of the retailers that we own remain strong and support our philosophy of inflation-beating dividend growth. The current weakness provides an opportunity to buy good businesses at attractive prices. As Willie noted in last week's GDP intuition article: "The economy is showing signs of resilience in mining, manufacturing, agriculture, and household spending." Although growth



The JSE All Share Index has recorded a robust 31% growth YTD, largely driven by standout gains in gold and platinum mining stocks, as well as technology shares. The Basic Materials Index, which includes the mining giants, has doubled this year, while the Technology Index has surged by an impressive 57%. Consumer Staples, however, have been relatively flat, highlighting disparity in the market's performance this year.

is mediocre, there are several green shoots: a strong rand, steady inflation, a potential rate cut, and bond yields falling as our Reserve Bank has expressed its intention to lower the inflation target rate. We have also received positive news on the reforms taking place in South Africa, including Eskom's first profit in over 8 years. Once sentiment turns positive, retailers could see both business growth and share price recovery going forward.



Shoprite Checkers is the largest supermarket group in South Africa.



Another year has come and gone, a year that has thrown up its fair share of surprises. Please join us for our year end seminar which will see us dusting off the crystal ball and looking into 2026 for clues as to what the new year might hold."



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Topic: Outlook for 2026

Natal Midlands

Date:	Thurs, 4th of December, 2025
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

Johannesburg

Date:	Thurs, 27th of November, 2025
Venue:	Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham
Time:	7am for 7.30am

Cape Town

Date:	Tues, 25th of November, 2025
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Morne du Plessis Boardroom, 4th floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

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