




Profile

2021

An Integrated Retail
Model.

Background & Inspiration



Matome Maponya Investments' foray into the retail market was spearheaded by Matome Maponya and his wife Mahlako in 1976 with a particular bias towards the meat industry. Even under the discriminatory regime of the time, Maponya Meat Market found creative avenues of delivering meat to hospitals, universities, prisons and schools.

It was during this period that a young Kholofelo Sekepe Maponya refined his knowledge of optimising small warehouses, as blacks were not allowed to trade in larger warehouses. This experience honed Mr. Maponya's skill of capacitating small space for meat processing as demand grew when the business secured large trading and catering contracts mostly by word of mouth.

These contracts also stretched Mr. Maponya's ability to deliver quality meat products at scale, with superior quality, competitive pricing and more importantly, at the right time. In most instances, Mr. Maponya exceeded customer expectations by also embarking on direct deliveries.

Armed with this knowledge, Mr. Maponya is not only well-positioned to execute Just-In-Time deliveries but is also one of the pioneers of what is now designated as last mile deliveries and with the advent of technology, is primely-placed to not only compete in that space but to continue to exceed customer expectations as someone who has executed product delivery without technology while "on-the-ground" with the added benefit of an in-house designed ERP system informed by lessons from his past.

Mr. Maponya, even in this age of rapidly changing technology and consumer buying behaviours, remains firmly committed to engaging as many of our client base physically and insists on his team to do the same as no amount of academic research can replace insights gathered by engaging day-to-day consumers of the vast catalogue of meat and meat processing products.


One of the best investors of our times, Mr. Warren Buffet, has the same philosophy about companies he ultimately invests in which loosely explained is:

"Meet the management teams of possible investee companies to measure how far they are willing go for their customers but do not just stop there, engage their customers directly to identify the gaps"

It is for this reason that Mr. Maponya remains actively involved in all companies which fall within the Matome Maponya Investments structure as not just a Chairman but as custodian of investor and funder interests.

About Us

Who we are.



*Learn from
the mistakes
of others.
You can't live
long enough
to learn
from yours
only.*

2UFoods (Pty) Ltd is retail group borne out of need for a solution to solve the long history of disparities in how the most marginalized of our population have been served and mostly underserved by major retailers in South Africa. The rural and township population have always been the pillar on which the South African retail market has been anchored on.

2UFoods was established in various forms in 2014/15 in order to service this hugely disregarded and underserved part of the South African population. Our unique model is premised on taking essential products through a delivery mechanism at no extra costs to the customer. This service is standard and even expected in more affluent parts of the country and the lack of this type of service in rural areas speaks to the level of indignity low-income shoppers has been subjected to for years.

2UFoods was Co-Founded by Mr. Kholofelo Maponya and Ikosi Siphohlehlani. Mr. Maponya, as Chairman of 2UFoods has extensive retail experience which began in what was known as Lebowa when he was involved in deliveries from his family meat market.

His passion for retail did not end there. He purchased an intergrated poultry company which was financially struggling and turned it around and reintroduced branding in a market where the products were commodified. Today, DayBreak farms stands out and competitors are now also branding. In the same spirit, 2UFoods is creating a respectable direct route to market for an otherwise unrecognised and previously considered faceless client. **WE CARE, BECAUSE WE ARE. IT IS 2U, BY YOU AND FOR YOU.**



“Buy from a place where what you give, always comes back to you.”

Our Promise To You

2UFoods is premised on the commitment to deliver to our buying member group and modular structures on a daily basis. This is achieved through an extensive retail and route planning study and technology to support this commitment. Our main supplier of logistics services is Muhari Logistics, who through the efforts of Mr. Maponya in the past have become stand-alone 3rd party logistics provider in their own right with uncompromising service level agreements.

As part of 2UFoods' contract with Muhari Logistics, the company has mandated Muhari to on-board other black suppliers with means of transportation and assist in capacitating them. In normal instances this would be termed Supplier Development however, since the growth of and inclusion of black suppliers forms a core part of our vision, this is business as usual for 2UFoods.

Our People

Meet Our Founders



Kholofelo Sekepe Maponya

Mr Maponya is a talented businessman who was forced to give up his studies to fast track his foray into the business sector due to the illness and subsequent passing of his father. He managed to turn the business to being a strategic shareholder in key South African businesses such as Afgri Limited, Daybreak Poultry (formerly Afgri Poultry) and SA Home Loans.



Ikosi Sipho Mahlangu

His Royal Highness started his own business Vezubuhle Business Furniture from 1998 before succeeding his father in 2005 and lead the community of Ndzundza Mabusa. He was elected as a member of the Mpumalanga Traditional Leaders and was elected as the Leader of the Mpumalanga House of Traditional Leaders to the National House of Traditional Leaders.

Meet Our Management



Zach Mogotsi
Chief Executive officer



Solly Tsiane
Marketing & Aftersales



Ramesh Masina
Youth Enterprise
Development



Lindiwe Mthembu
Agri Business &
Development



Tumi Langa
Administration

The 2UFoods team comprises of talented individuals whose passion for the development of rural and township communities is showcased through action. We are not only responsible but accountable for seeing through the vision of a changing the lives of our people for the better.

Our diverse skill sets and background makes us a melting pot of an unstoppable force, ready to take on the giants of the retail industry. We believe that good leadership is leading by example and understand the core of every business to be its people.

Introduction

Executive Summary

The South African retail market is growing but at subdued levels with retail spending hovering around 2%.

The South African retail market is growing but at subdued levels with retail spending hovering around 2%. However, the specific target market of the 2U Foods Outlet Movable Panel Store; which is the township & rural retail market, is growing at a much faster pace. Furthermore, the informal markets in Gauteng are set to double by 2022.

According to Shoprite Group Integrated Annual report for 2019 : "80% of South Africans shop with the Group (Establishment Survey 2018) with more than 90% of those shoppers being township and rural markets. In addition to this, the group has reported some its highest historic revenue during the Lockdown Period due to Covid-19. What this has glaringly made evident is not only the neglect of safety standards to protect shoppers but the blatant disregard for elderly people and those living with disabilities.

The opportunity lies in eliminating the poverty penalty or the unnecessary add-on expenses for this customer that arise from low purchasing power. By placing 2U Foods Movable Panel Stores in strategic locations, unnecessary costs such as transport-related expenses associated with travelling to shopping malls can be alleviated.


The target market of the 2U Foods Movable Panel Store is the low- to lower-middle income retail market. These are consumers with an average monthly household income of less than R9 000.

Considering the SEM classification, 51% of South African's fall into this income bracket. Geographically, the 2U Foods' target

market is located in Gauteng. This is an attractive target market as the informal markets in Gauteng have the highest spending power per capita of other informal markets, are growing the fastest compared to other markets and have the biggest absolute size. In addition, because these informal markets are relatively concentrated, 2U Foods stands to gain greater benefits from utilising economies of scale to leverage its value offering.

The 2U Foods business concept is made up of four businesses: the 2U Foods Movable Panel Store, the 2UFOODS Direct Distribution Centre, the 2U Foods Buying Group and MMI Property, where:

- The MMI Property business owns the Movable Panel Store and all the equipment inside. This is on a no obligation turnover related basis which removes the upfront capital barriers.
- The 2U Foods Movable Panel Store owner operates the store selling retail consumer goods, including Quick Service Restaurant (QSR) meals, to low-income customers.
- The 2UFOODS Direct Distribution Centre supplies Movable Panel Stores with the retail products, bringing the benefits of cheaper prices through of wholesale supply.
- The 2U Foods Buying Group manages the independent operators and markets the 2U Foods brand to customers in the communities of Movable Panel Store operations.



The 2U Foods Movable Panel Store operator's main responsibility is to operate the Outlet in such a way that it is profitable. This requires his/her ability not only to manage the stock and finances of the store (which the 2U Foods Buying Group will provide training for) but, more importantly, it requires the other businesses to perform their responsibilities in a manner that is cost-effective and efficient.

The 2UFOODS Direct Distribution Centre has to perform its responsibilities in bringing the benefits of wholesale buying to the Movable Panel Store. Specifically, this requires the Distribution Centre to manage an effective supply chain that sources products at the lowest possible price and distributes them timely.

The 2U Foods Buying Group serves as the management and marketing arms of the 2U Foods Group. This role is important to the group in that, if the 2U Foods Movable Panel Stores are not fully prepared then they will not generate enough revenue to support the group and, if the 2U Foods value proposition is not adequately marketed, then the Outlets will not have enough customers to generate enough revenue to support the group. Thus, the effective management of the group and a successful marketing strategy are necessary to generate demand and ensure the success of the group as a whole.

MMI Property's role in the success of the 2U Foods Movable Panel Store is to provide the Outlet with the necessary property and equipment so that it can be successful. MMI Property will lease a refurbished Movable Panel Store which will have the necessary equipment already installed before it is handed over. The capital requirements of the Movable Panel Store are notable in that any expansion of the number of Movable Panel Stores needs a considerable amount of financing.

Overall, it is important to stress that the success of the 2U Foods Group is dependent on the 2U Foods Movable Panel Store. The success of the Outlet is in turn directly dependent on each business, especially the 2UFOODSDirect Distribution Centre, performing its task effectively. The biggest risk to the integrated business model is the supply chain. Specifically, the ability of the 2UFOODSDirect Distribution Centre to source and distribute the required products for a reasonable price and at the required times.



Group Business Concept

A successful business has a clear understanding of the space it will disrupt.

The success of 2U Foods depends on catering for an unserved need that the township and rural consumers have. The low purchasing power of these consumers manifests itself in two characteristics, namely high price sensitivity and higher prices per good. By alleviating the burden of these two characteristics, 2U Foods can better serve the community and bring value to its target market.

A consumer with low purchasing power is more price sensitive than a consumer with high purchasing power. As mentioned above, the poorest South Africans spend about 33.5% of their income on food alone and above 44.4% of their income on food, beverages and tobacco (Standard Bank 2016). Because poorer South Africans spend a higher proportion of their income on necessities, a price increase or decrease in the price of these necessities has a higher impact on their disposable income. Thus, in terms of disposable income, these consumers are very price sensitive as an increase in the cost of their daily or weekly basket of goods means relatively less disposable income.

These price sensitivity means these consumers need the lowest prices possible. By bringing the benefits of wholesale buying power to the community, a 2U Foods Movable Panel Store will help satisfy this need and

cater for a price-sensitive market. The 2U Foods Movable Panel Store will be able to sell at competitive prices because the goods purchased by each outlet will be bought at wholesale prices from the 2UFOODSDirect Distribution Centre.

The second characteristic of a consumer with low purchasing power is what has come to be known as the “poverty penalty” (Prahalad 2010). It explains the phenomenon that consumers with low purchasing power may end up paying more per good than comparable consumers with higher purchasing power. This is because factors such as high logistics costs forwarded to consumers due a lack of infrastructure, low-income finance constraints restricting buying bulk, or even stores limiting price-reductions (i.e. promotions) which are ineffective given a consumer’s low-purchasing power, result in the effective costs of individual goods being higher than the same goods in other markets.

The “poverty penalty” creates the need for businesses to limit the factors that contribute to higher effective prices per good. The 2U Foods business concept aims to satisfy this need through developing a supply chain that brings the stores as close to the consumer as possible.





A goal is a
dream
with a
deadline.

By increasing the convenience for consumers, 2U Foods will limit the amount they have to pay for overhead costs such as travel to and from the store or limiting the logistics costs forwarded on to consumers.

As seen above, the opportunity for the 2U Foods business, specifically the 2U Foods Movable Panel Store, is catering to the need of customers through affordable products in convenient locations. Thus, 2U Foods' competitive edge revolves around an integrated supply chain that brings wholesale supply and, therefore, an affordable product and placing 2U Foods Movable Panel Stores in strategic locations that maximises the convenience for customers.

The competitive edge over 2U Foods in terms of price may not be substantial as existing players have established supply chains that have brought existing prices down. However, 2U Foods can gain a substantial advantage in bringing convenience to customers through placing 2U Foods Movable Panel Store in strategic locations, minimizing the overhead costs of consumers and, thus, the effective price per good.

Identifying The Need and Opportunity



For every sale you miss because you're too enthusiastic, you will miss a hundred because you're not enthusiastic enough.



HOW does 2UFoods make a difference?

Through an integrated supply chain that:

- Brings the benefits of wholesale buying to the township
- Effectively distributes products to strategically located 2U Foods Outlets
- Intermit relationships with customers
- Catering for their exact needs and recommendations
- Dynamic product offerings i.e. food & non-food items and QSR meals

WHERE is the opportunity for 2UFoods to make a difference?

- Underserved townships and households low purchasing power
- Convenient locations that create easy purchases
- Primary (Start/Finish) transport hubs

2UFoods Value Proposition

WHY has 2UFoods embarked on this?

- Help the heavily burdened customer
- Alleviate some of the financial stress experience by low- to lower-middle income customers
- Save them time through convenience
- Contribute to the economy
- Create jobs and stimulate growth
- Empower black entrepreneurs

WHAT is 2UFoods' strategic intent?

2UFoods value offering is a township and rural market convenience store that is superior to its local competition in price and proximity. An integrated supply chain combined with opportunities for young black entrepreneurs will alleviate the financial stress of those who live in underserved communities.

Group Structure & Contractual Relationships



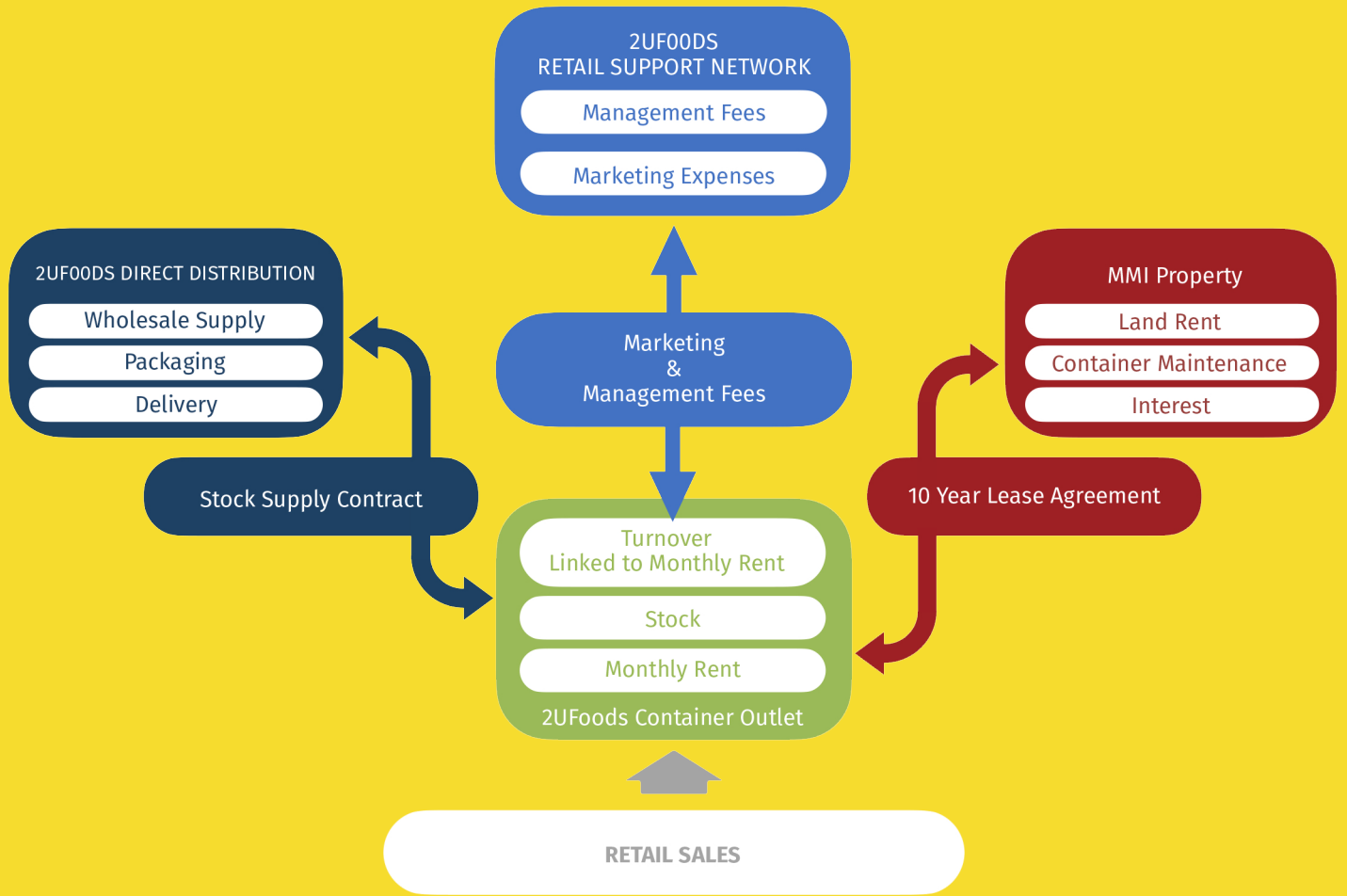
The 2U Foods business concept revolves around four businesses that make up the integrated supply chain. These are MMI Property, the 2UFOODSDirect Distribution Centre, the 2U Foods Movable Panel Stores, and the 2U Foods Buying Group. This section will present the various relationships in the group.

The 2U Foods Movable Panel Store will have contractual relationship with each of the businesses in 2U Foods Group:

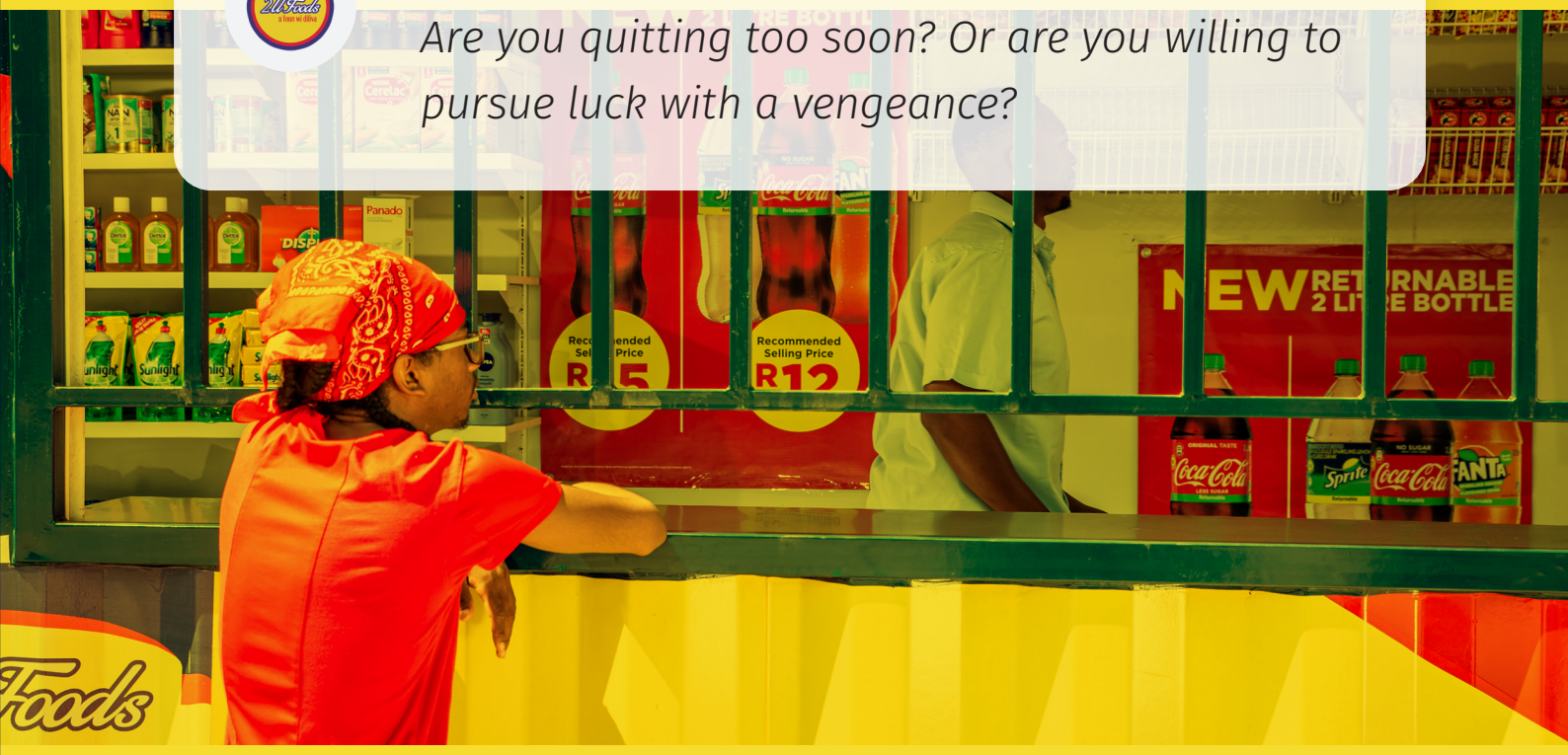
- With regard to the 2UFOODSDirect Distribution Centre, the contract will relate to the provision and payment of stock for the 2U Foods Movable Panel Stores to sell.

- With regard to the 2U Foods Buying Group, the contract will relate to the provision and payment of the fee that gives the Movable Panel Store the right to operate under the 2U Foods brand and it will also relate to the provision and payment of the marketing of the brand to be conducted by the 2U Foods Buying Group.

- With regard to MMI Property, the contract will relate to the provision and payment of the Movable Panel Store used by the 2U Foods store operator. This contract will stipulate who is responsible for the maintenance of the Movable Panel Store.



I got lucky because I never gave up the search. Are you quitting too soon? Or are you willing to pursue luck with a vengeance?



Operational Relationships.



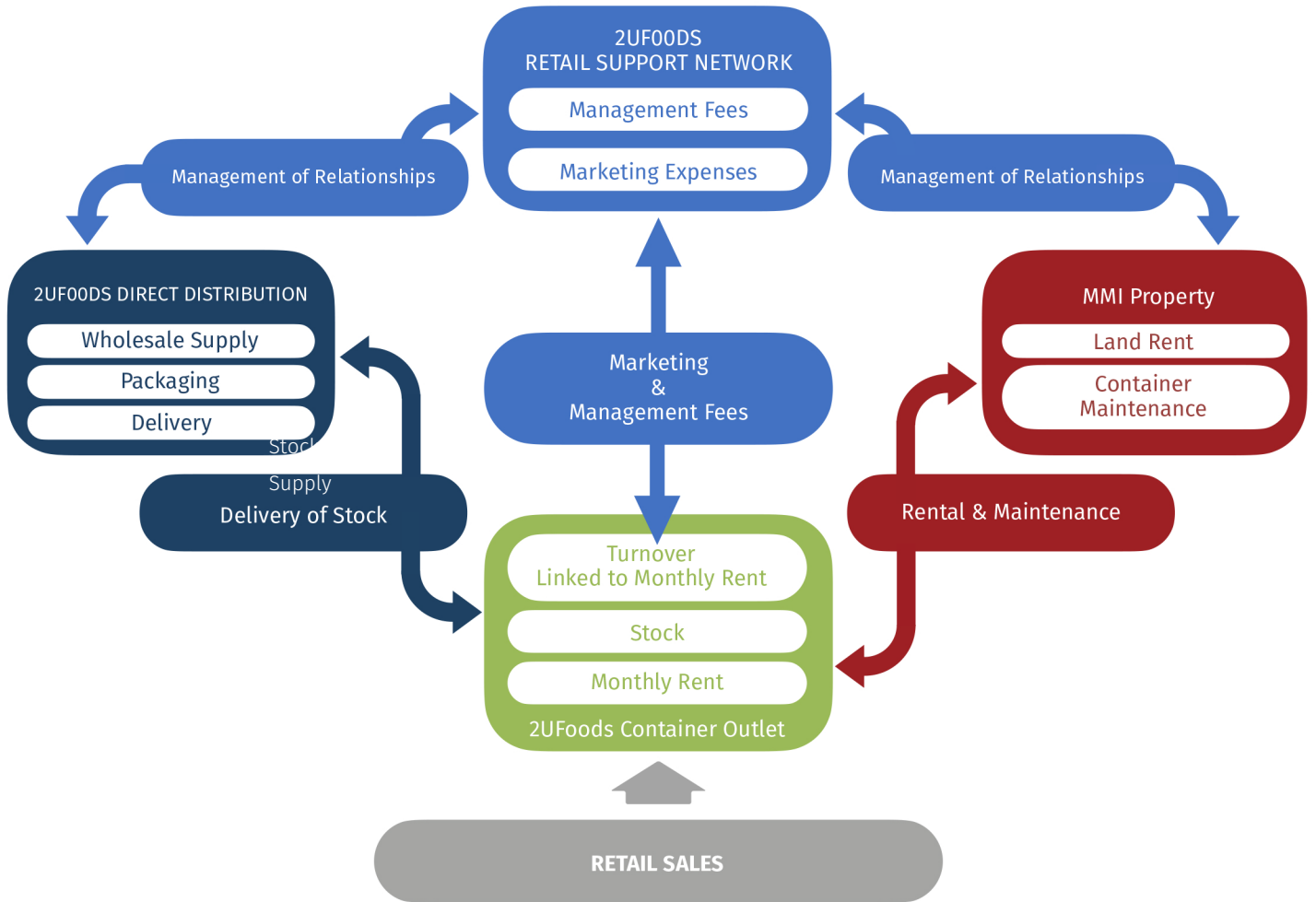
The 2U Foods Movable Panel Store will interact with each of the businesses in the 2U Foods Group:

- With regard to the 2UFOODSDirect Distribution Centre, the relationship will extend to the timely delivery of stock, which the 2U Foods Movable Panel Store will sell. This relationship is imperative as the timing of the delivery will be important to ensuring the Movable Panel Store is neither overstocked nor understocked. To help with this relationship, the 2U Foods Movable Panel Store Outlet will have an ERP system, which will communicate to the Distribution Centre on products needed to be topped up.
- With regard to the 2U Foods Buying Group, the relationship involves the Buying Group marketing the brand and managing the 2U Foods Movable Panel Stores.

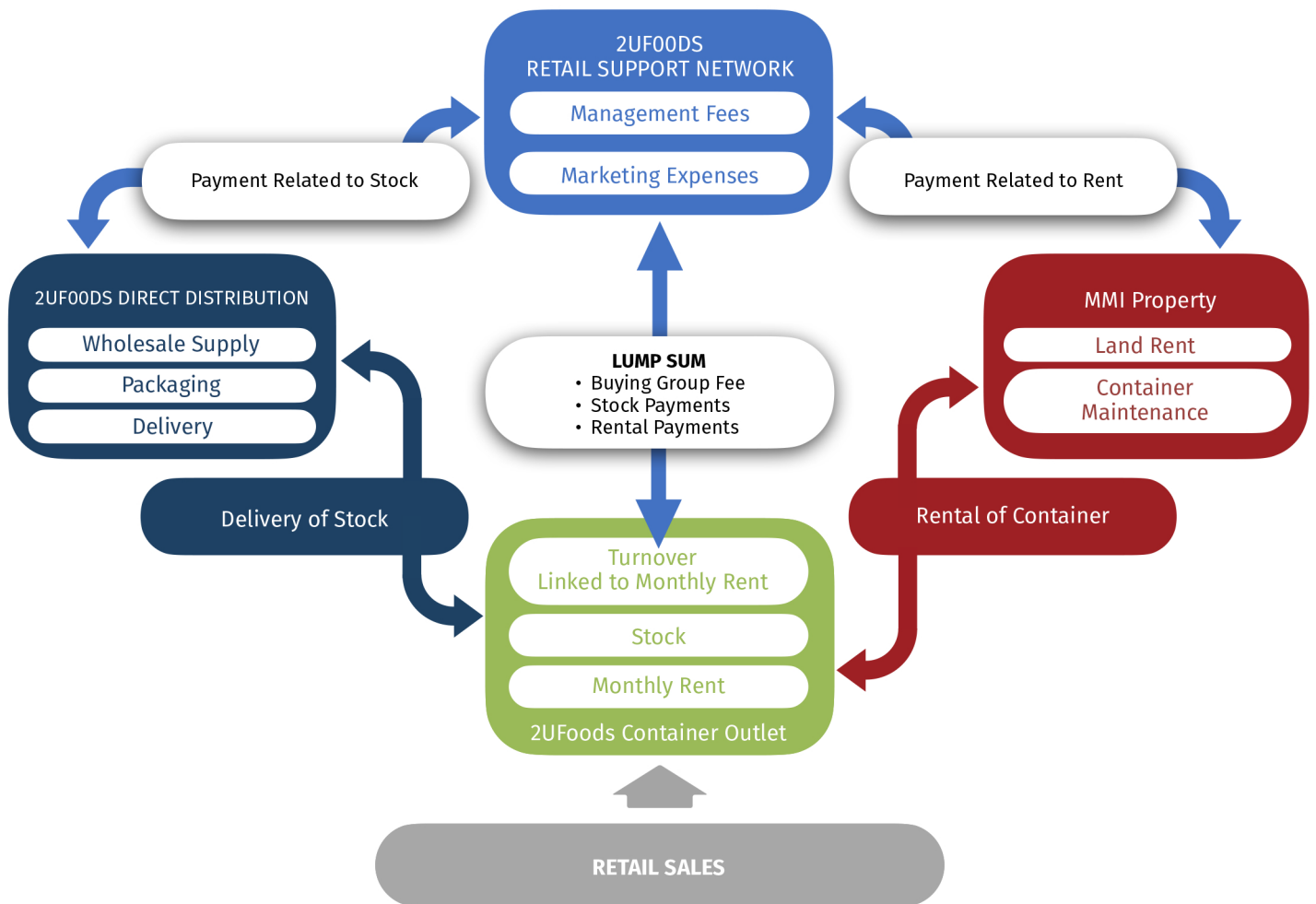
Managing the Movable Panel Stores extends to ensuring the operators are adequately prepared in terms of supplies (excluding stock) and training so that they can run a smooth operation. Additionally, the 2U Foods Buying Group is responsible for maintaining the relationships among the 2U Foods Movable Panel Store, Distribution Centre and MMI Property.

- MMI Property will rent the Movable Panel Store to the 2UFoods Movable Panel Store Outlet. Its relationship with the 2U Foods Movable Panel Store Outlet will also extend to the regular repair and maintenance of the Movable Panel Stores so that the 2U Foods operator can conduct smooth operations.

Operational Relationships



Financial Relationships



There are three main financial outflows from the 2UFoods Outlet.

- The Buying Group fee in exchange for marketing, managing, and the right to use the 2U Foods brand,
- The payment for stock in exchange for the delivery of stock to sell,
- The rental payment in exchange for the right to use the Movable Panel Store.

In order to simplify the organizational burden of the 2U Foods Outlet, the above three payments will all be paid weekly to the 2U Foods Buying Group. 2UFoods Buying Group will then pass on the required amounts to 2UF00DS Direct Distribution Centre and MMI Property for the respective services provided by them to the 2UFoods Movable Panel Store Outlet. This extra step simplifies the duties of the 2U Foods Movable Panel Store Outlet and reducing the financial and non-payment risks to the entire business concept.



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Conclusion

The needs of low-income retail consumers revolve around low purchasing power. Specifically, these consumers are price-sensitive and may pay a higher effective price per product due to excess overheads. Thus, 2U Foods' value proposition is centred on providing goods and meals at affordable prices at consumers convenience.

The contractual, organizational and contractual relationships are key to ensuring the 2U Foods Group runs efficiently and deliver value for its customers. The contractual and organisational relationships differ to the financial relationships of the group. Whereas the 2U Foods Movable Panel Store will deal with each business in the group independently with regard to their contractual and organizational relationship, the 2U Foods Movable Panel Store Outlet will only have a financial relationship with the 2U Foods Buying Group. It will pay a lump sum to the 2U Foods Buying Group, which will then pay other businesses in the Group for the services provided to the 2U Foods Movable Panel Store Outlet. This approach serves to reduce the risks associated with non-payment and accounting burden on business owners.

Profile

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Contact

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