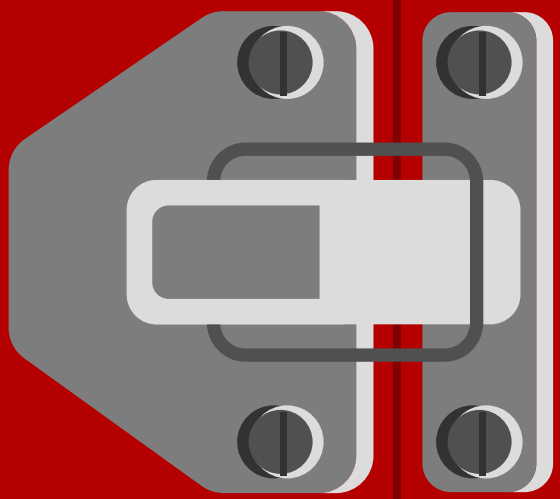


# Tools for Growth

Funding Success in SA's  
Building and Hardware Sector



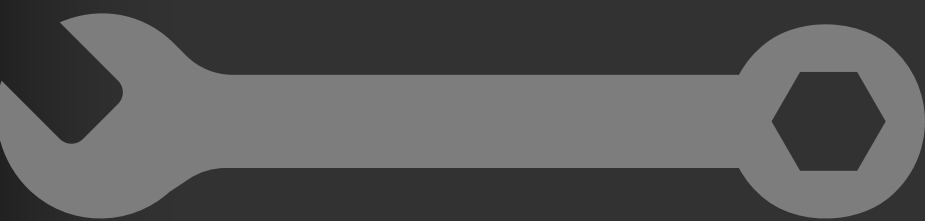
Merchant  
Capital



# Introduction

The hardware sector fuels South Africa’s construction engine, accounting for **~8%** of retail GDP and driven largely by independent SME outlets. Yet this industry is not immune to pressures:

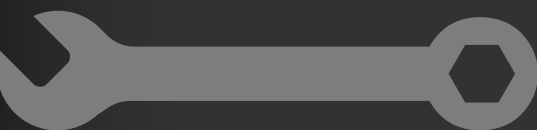
## SEGMENT CONTRIBUTIONS (RETAIL GDP)



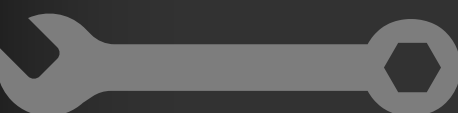
**>12%** FOOD, BEVERAGES & TOBACCO IN SPECIALISED STORES



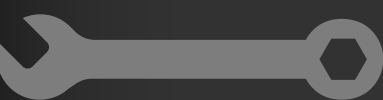
**>8%** HARDWARE, PAINT & GLASS



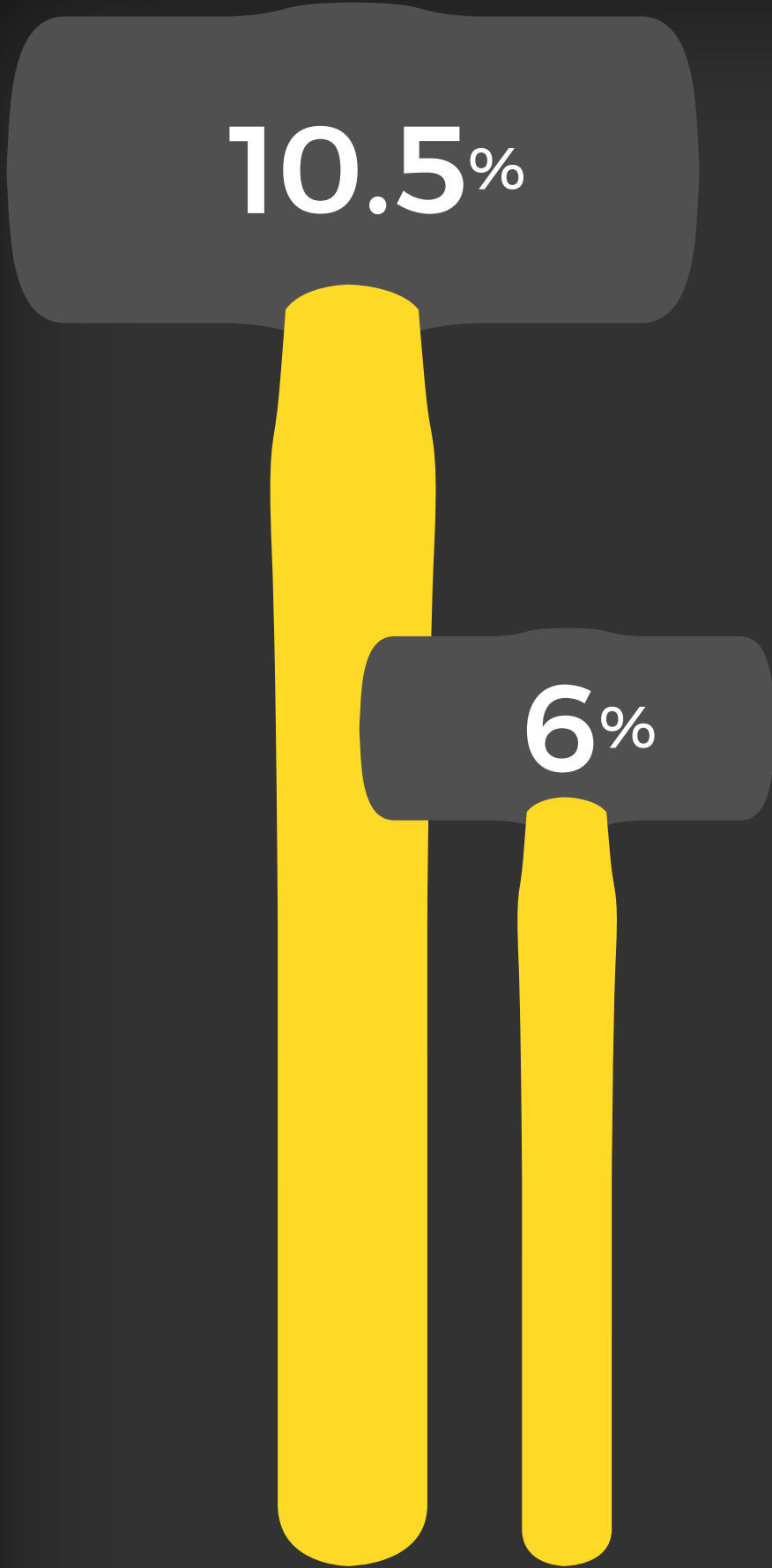
**>7%** PHARMACEUTICALS & MEDICAL GOODS (INCL. COSMETICS & TOILETRIES)



**>6%** HOUSEHOLD FURNITURE, APPLIANCES & EQUIPMENT

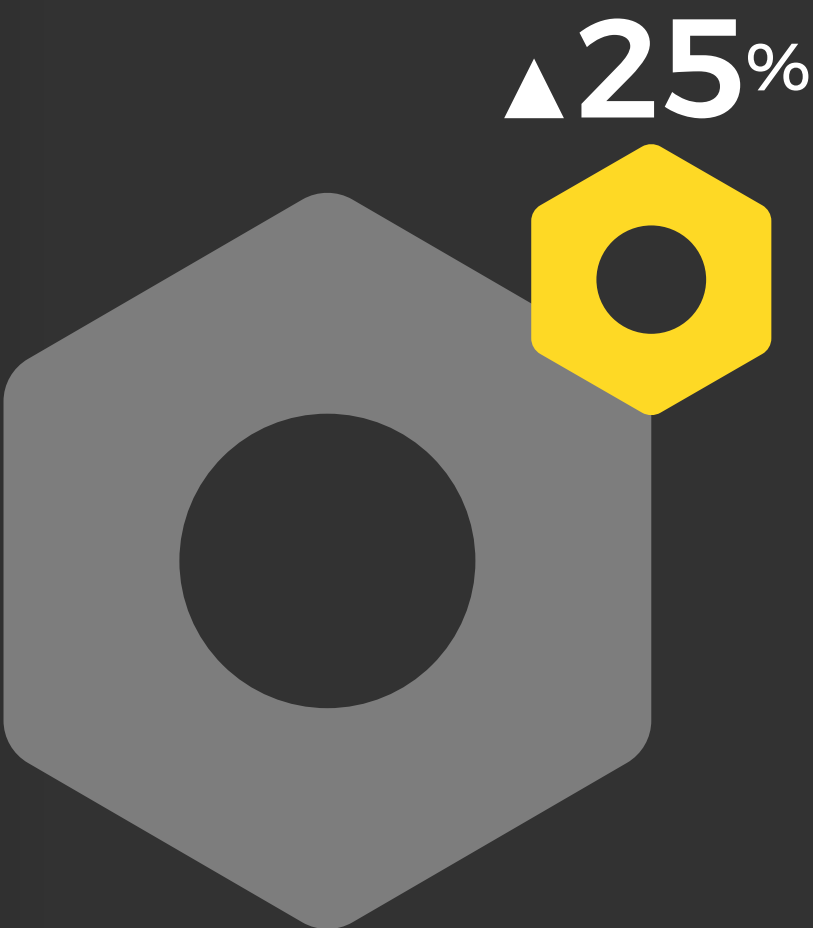


**>5%** OTHER RETAILERS (BOOKS, JEWELLERY, SPORT, SECOND-HAND, ETC.)



Material costs **+10.5%** YoY (2023) vs CPI at **6%**.

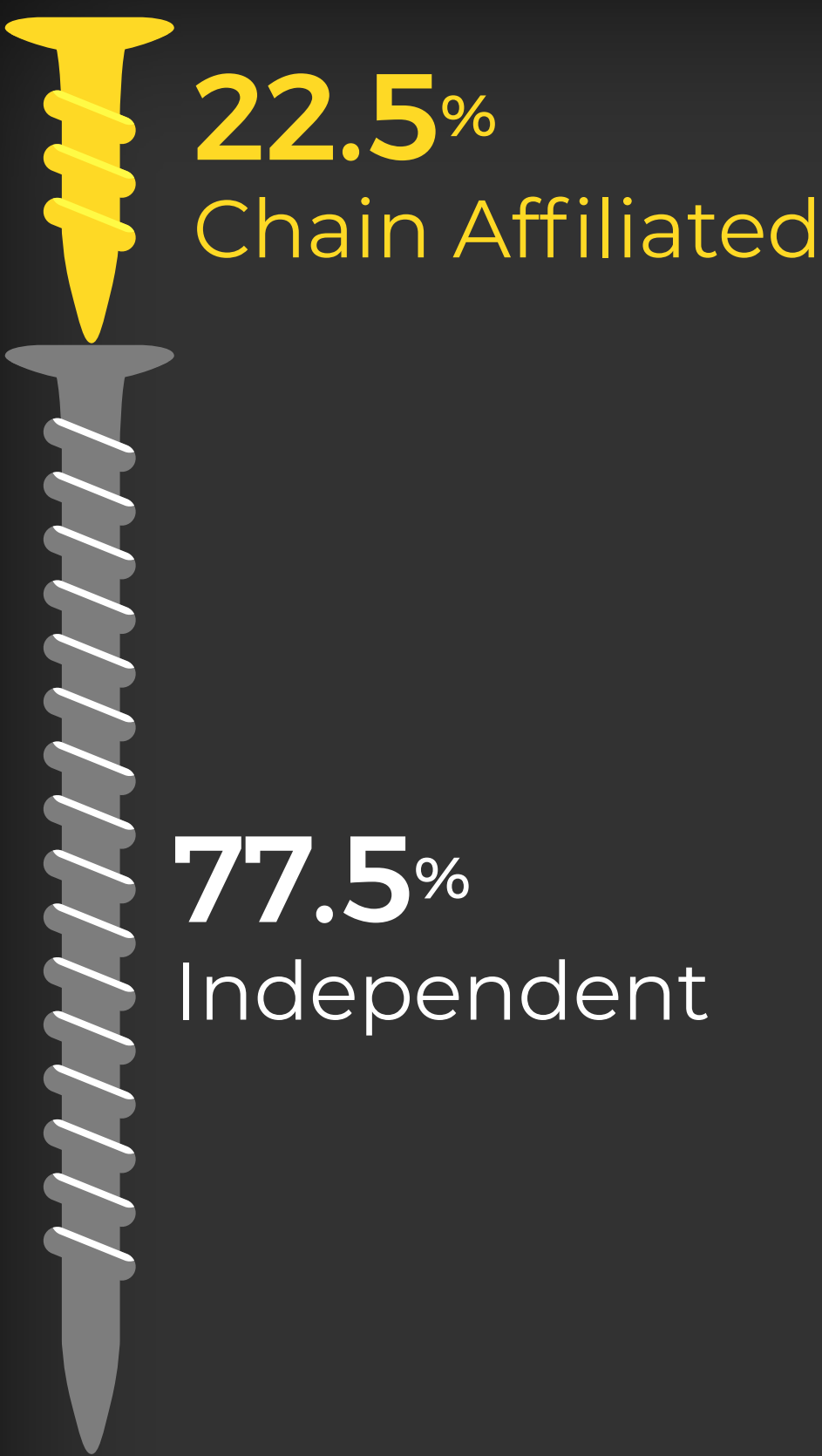
**42%** imported stock; input costs up **~25%** (2023–24).



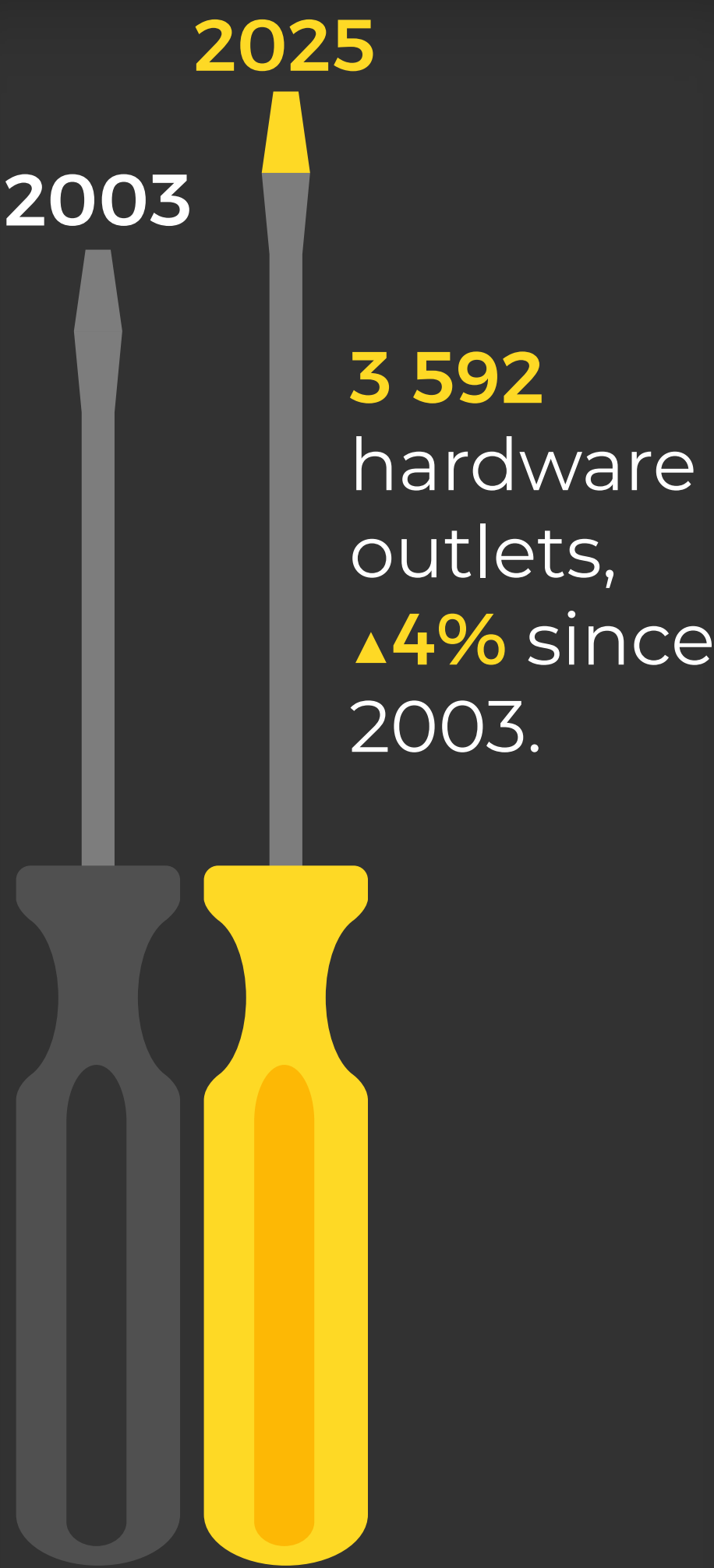
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# The Shape of South Africa's Hardware Sector

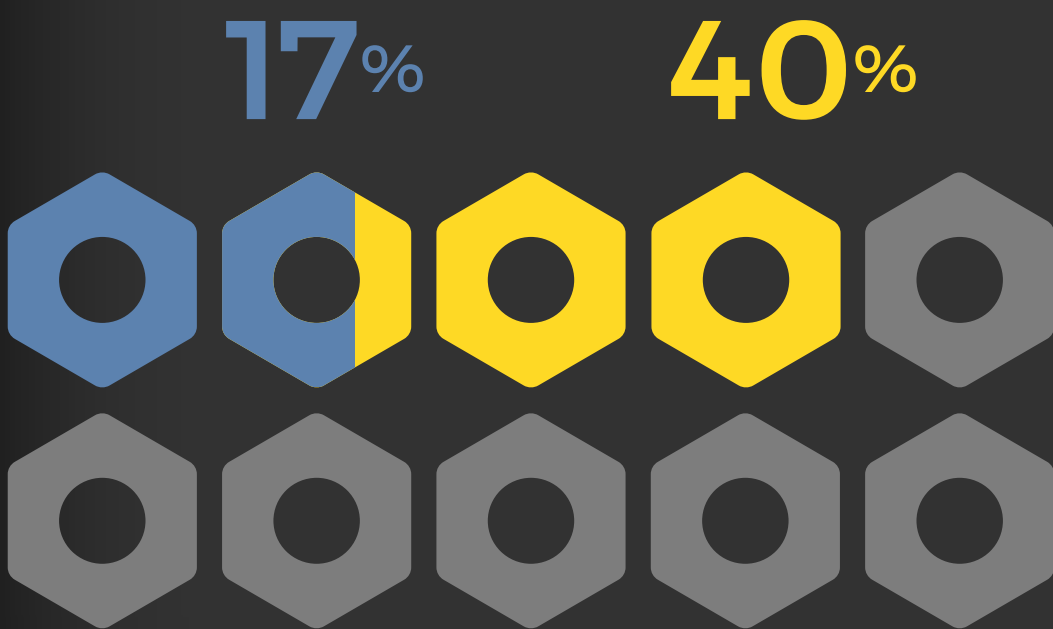
Annual Sector Revenue  
**R50 – R60bn**



Hardware retail is SME-led: **2 700+** independents powering local jobs.



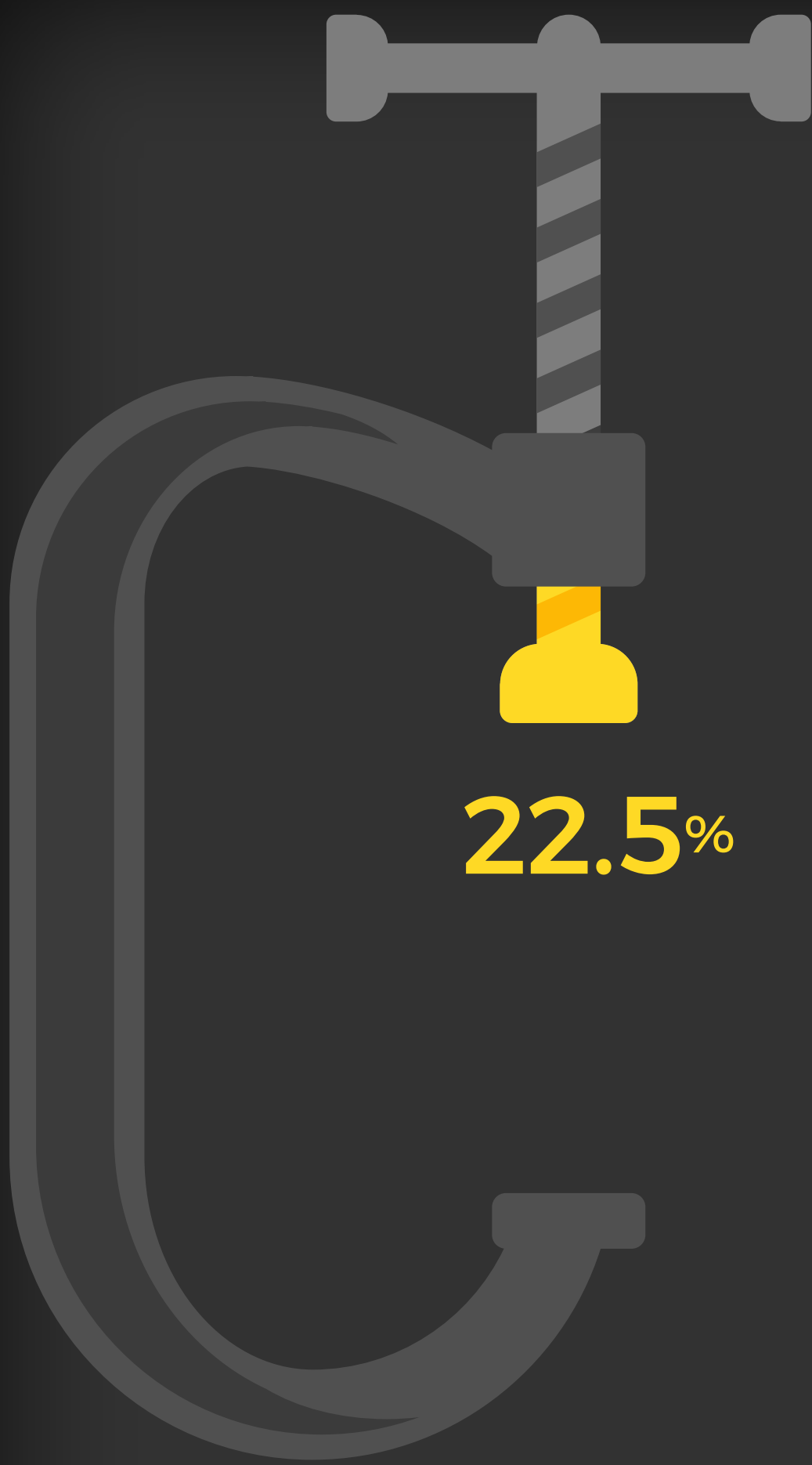
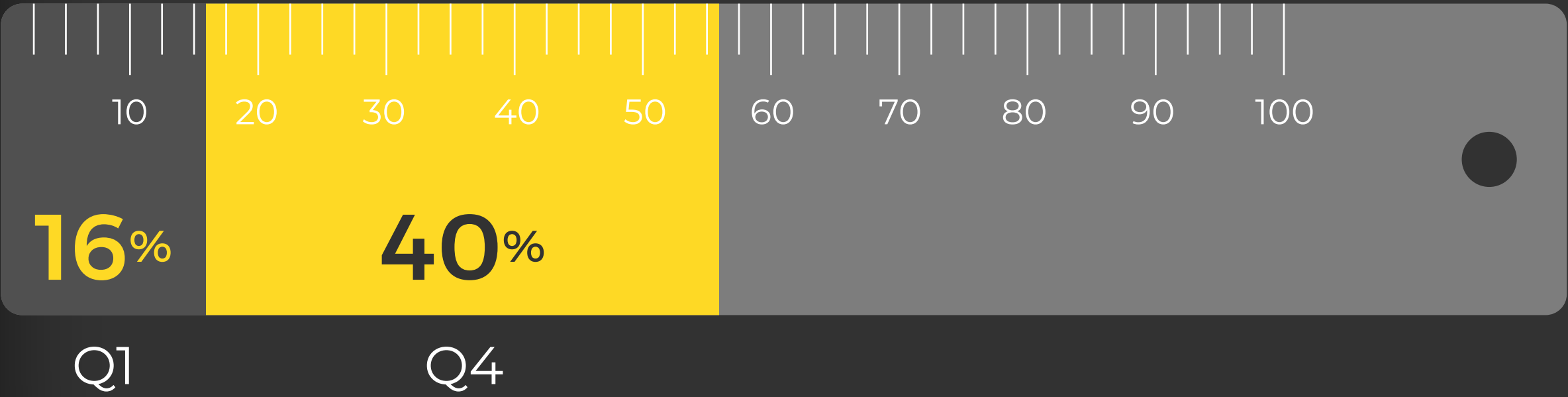
SME share of construction turnover grew from **17%** to **~40%** in a decade.



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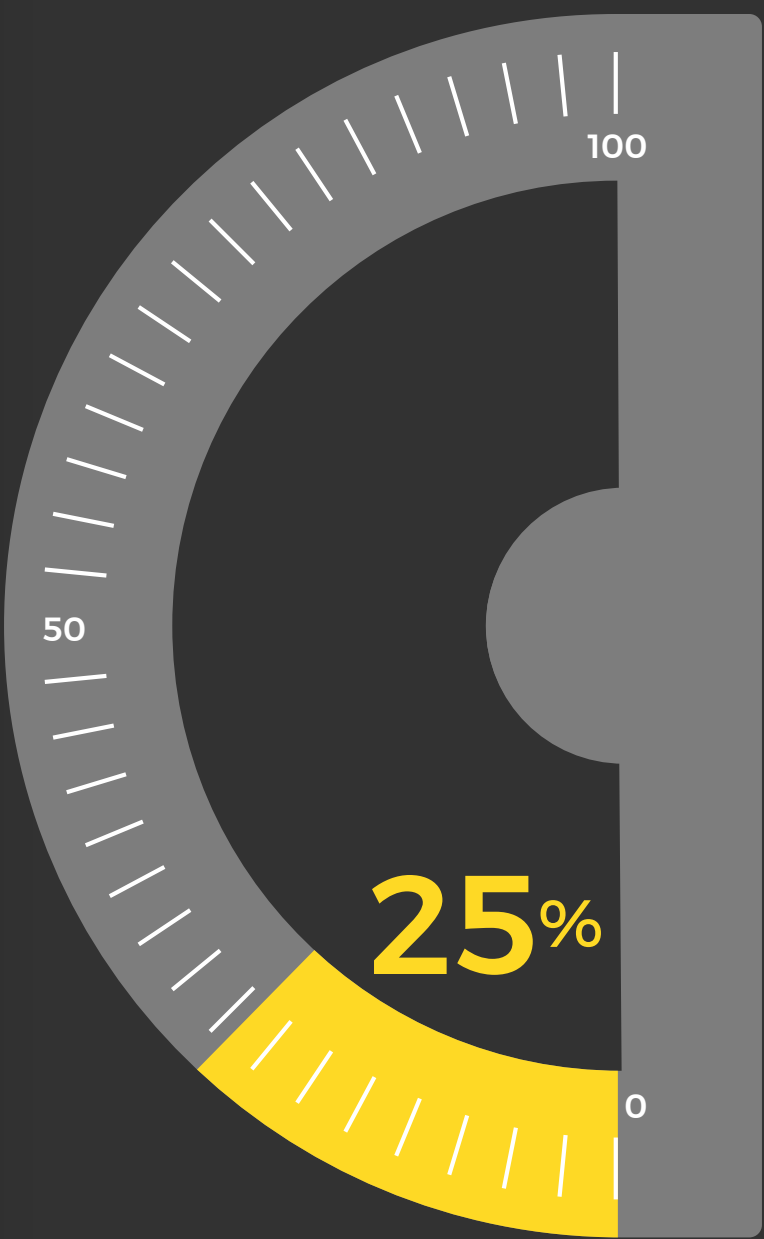
# Common Financial Challenges

Hardware stores make **~40%** of their annual turnover in **Q4**, but just **~16%** in **Q1**. Strategic funding can bridge seasonal lulls and 90-day payment gaps.



Chains make up **22.5%** of outlets yet capture nearly half of urban sales. Independents win on service and niche stock but need resources to scale.

Supply chain volatility pushed input costs up **~25%** in 2023–24, leaving independents exposed to stock-outs without bulk-buying.



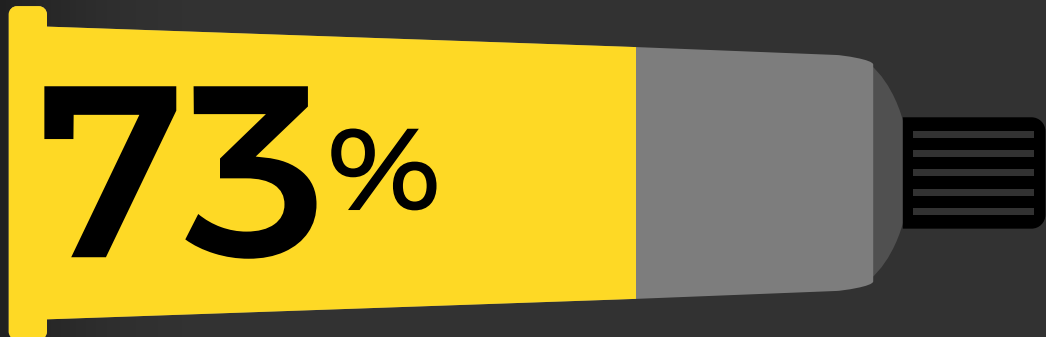
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# Industry Trends to Act on

Only **49%** of hardware stores have a website. Full adoption could lift revenue by up to **12%**.



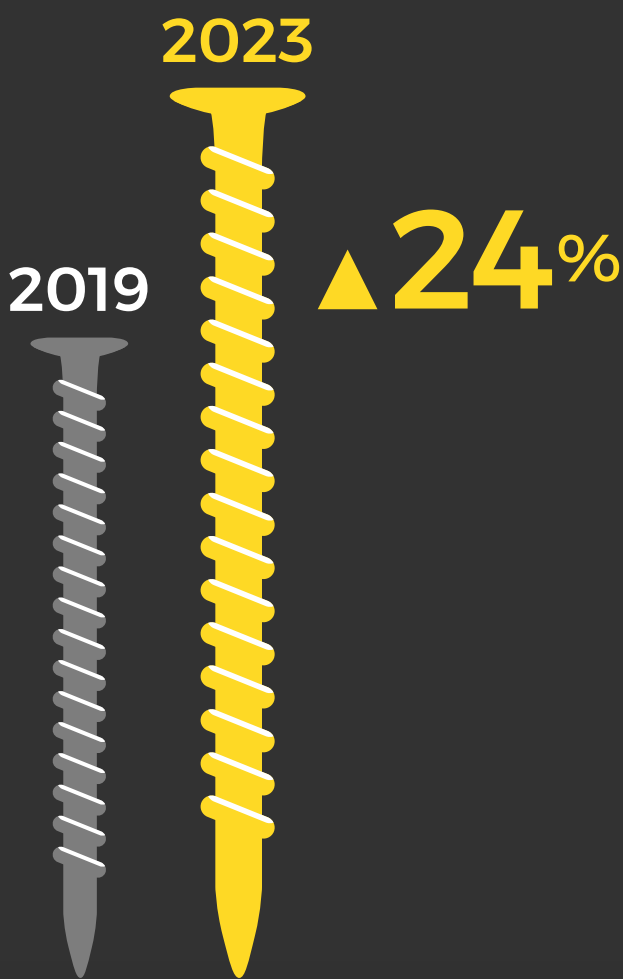
**73%** of outlets are in Gauteng, KZN, and Western Cape. Growth is in township and peri-urban expansion.



SMEs now generate **~40%** of construction turnover, up from **17%** a decade ago (Stats SA 2024).



SA's green building market grew **24%** from 2019 to 2023.



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# Why Funding Matters

Funding is the catalyst that turns market insight into action.

## Hardware SMEs have used Merchant Capital funding to:

### INVEST IN DIGITAL

Online catalogues & click-and-collect boosted leads and sales resilience.



### UPGRADE & EXPAND SERVICES

Funding for modern layouts and tool hire grew basket size and retention.



### BUILD PEAK INVENTORY

Joburg supplier used R2m to stock ahead of summer, driving **+37.4%** YoY growth.



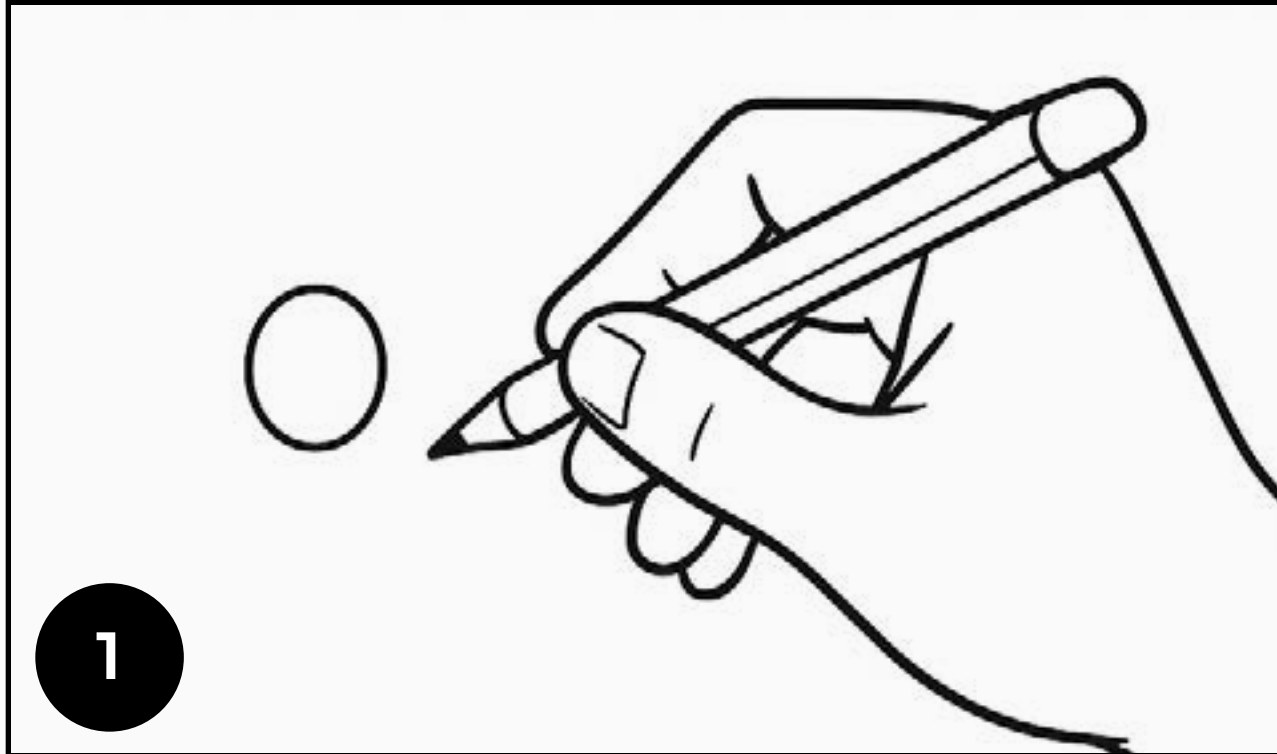
### ENTER UNDER-SERVED MARKETS

Smaller-format township branches captured new customers and reduced reliance on single-site footfall.

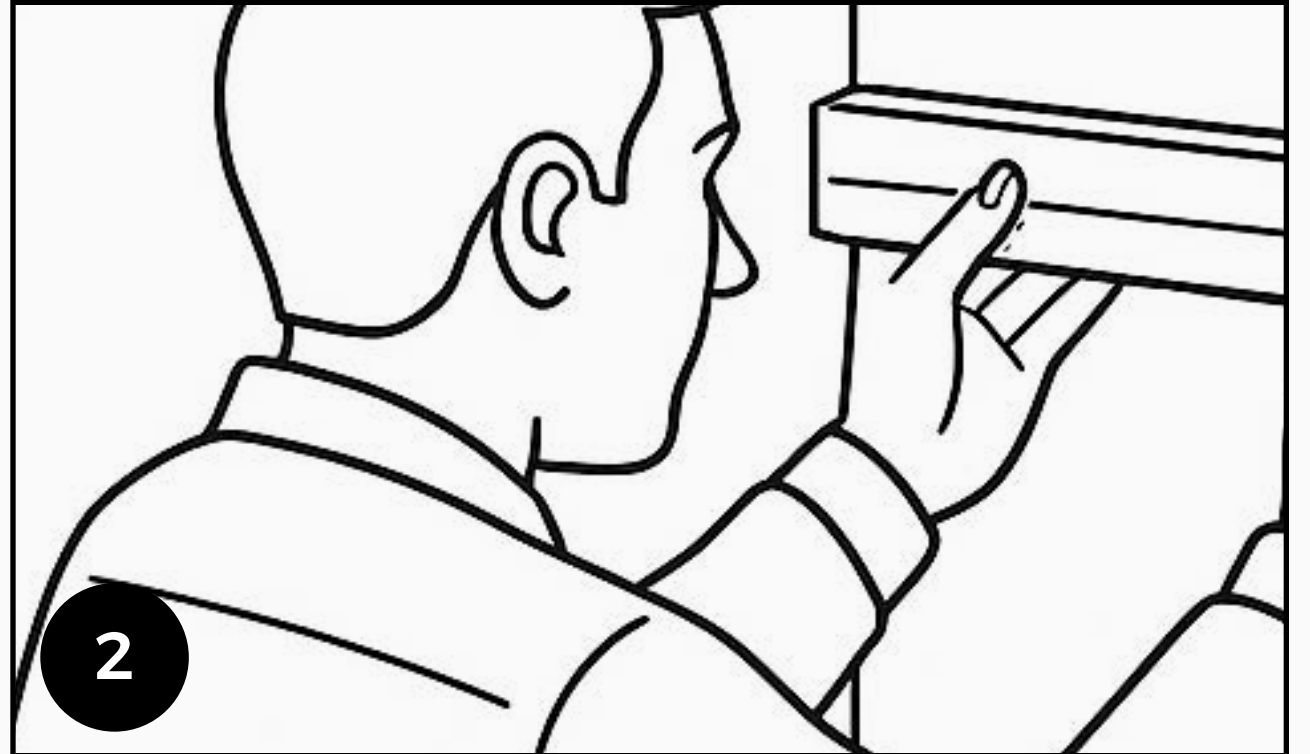


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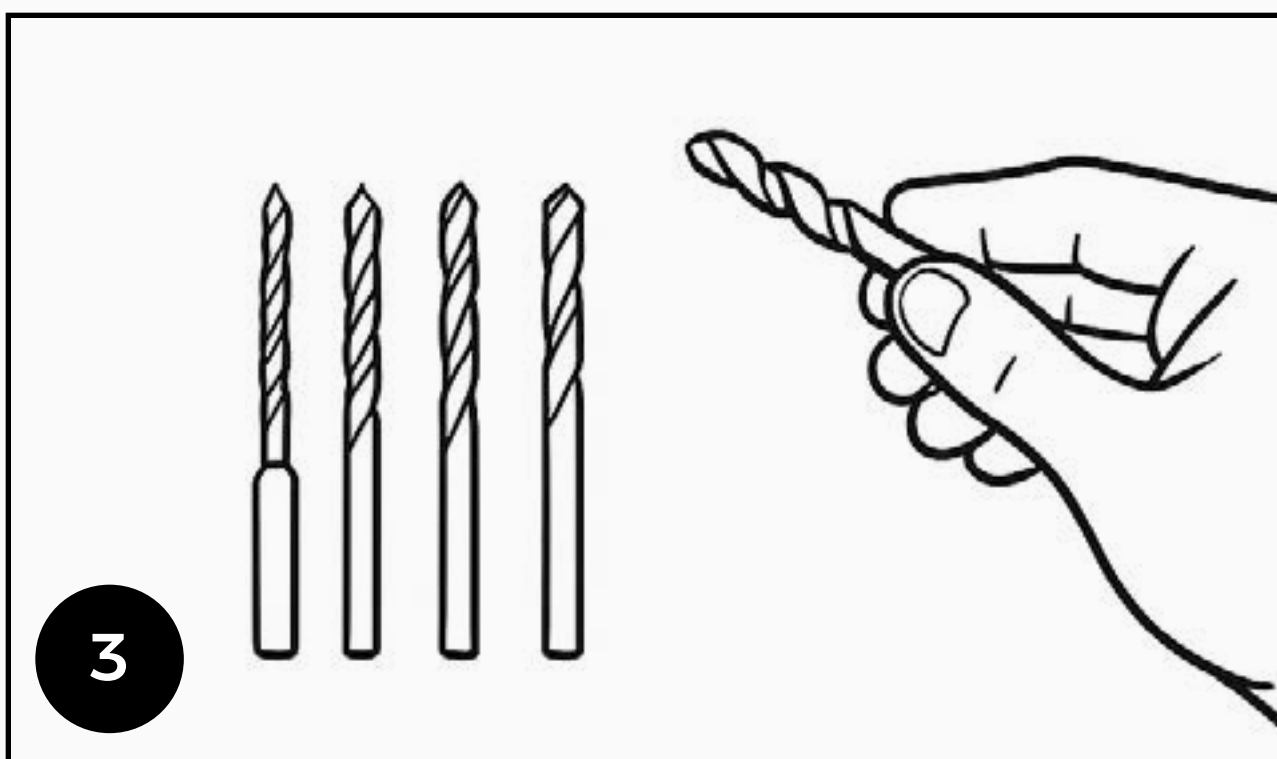
# The Four-Step Growth Framework



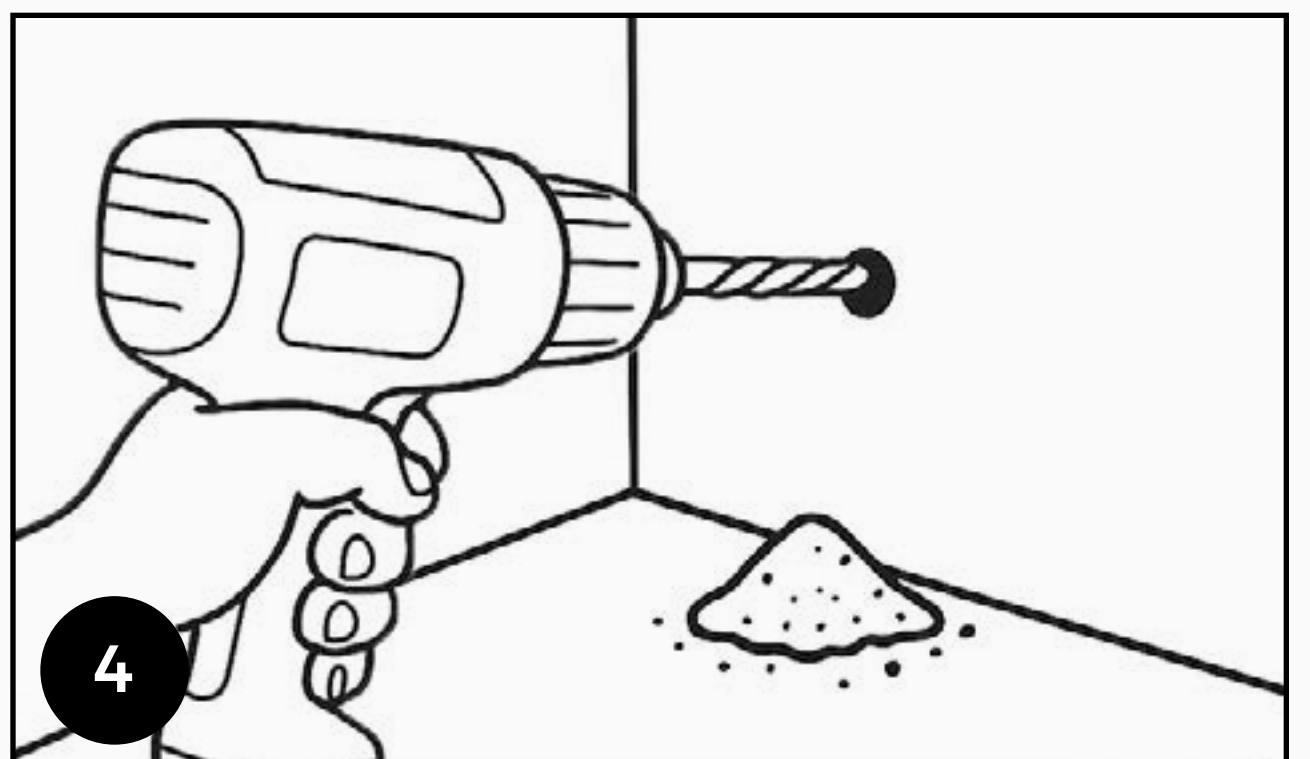
**STEP 1  
PINPOINT YOUR  
OPPORTUNITY WINDOW**  
Identify the quarter or season when your demand peaks.



**STEP 2  
QUANTIFY YOUR NEEDS**  
Work out the capital required to stock, upgrade, or expand in time.



**STEP 3  
FORECAST YOUR RETURN**  
Model the potential revenue lift from acting early.



**STEP 4  
CHOOSE THE RIGHT  
FUNDING PARTNER**  
A partner aligned with your cash cycle ensures repayments support rather than strain your liquidity.

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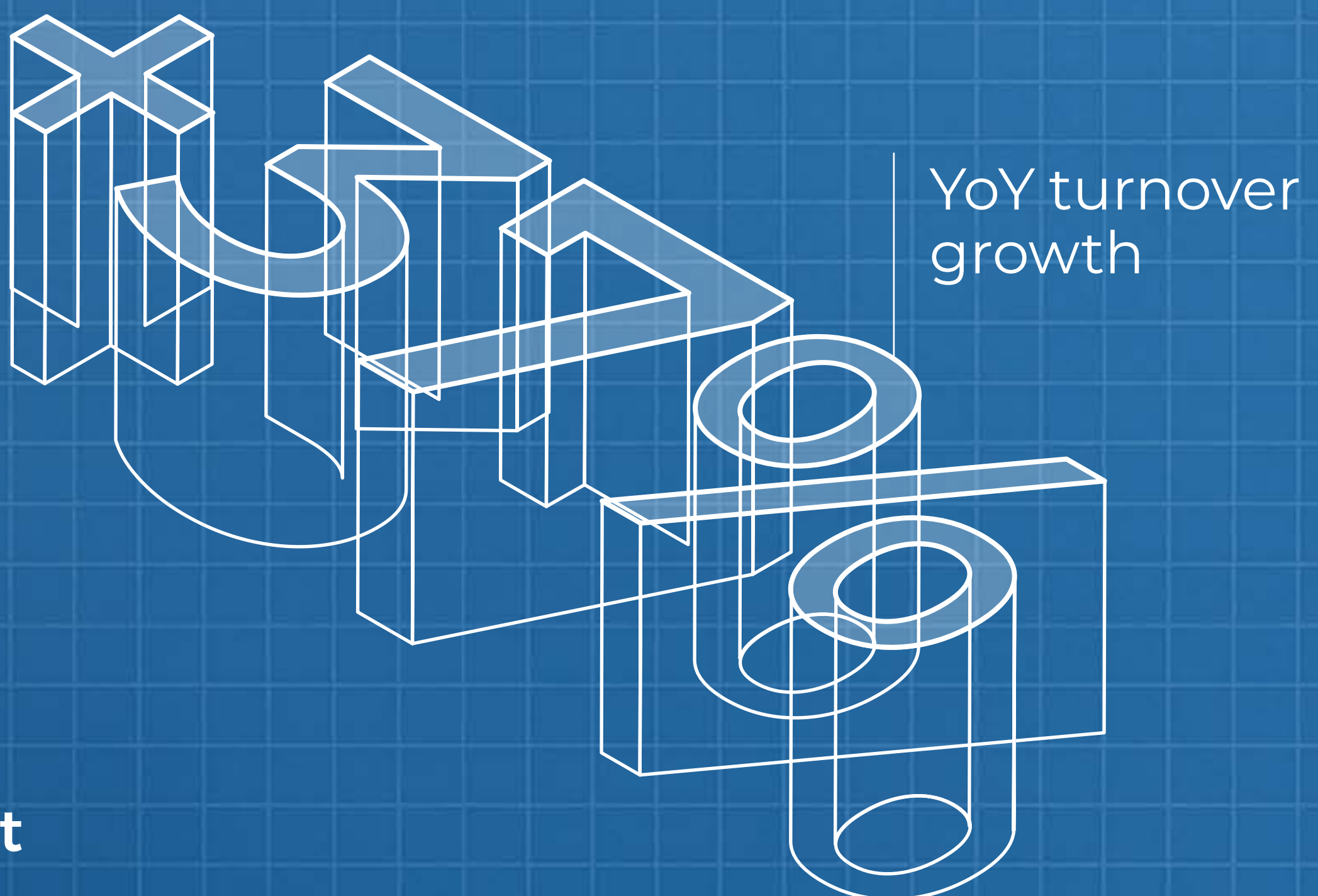
# Case Study 1

## Seasonal Stocking Pays Off in Johannesburg

An independent hardware retailer in Newtown wanted to capture more of the summer building boom but lacked the cash to buy enough seasonal stock.

### Partnering with Merchant Capital

We provided **R2 million** in working capital timed to the pre-season ordering window. Repayments were aligned with the store's revenue flow.



### Impact

- **37.4%** year-on-year turnover growth.
- Increased market share against two nearby competitors.
- Supplier discounts from bulk purchasing improved margins by **4%**.

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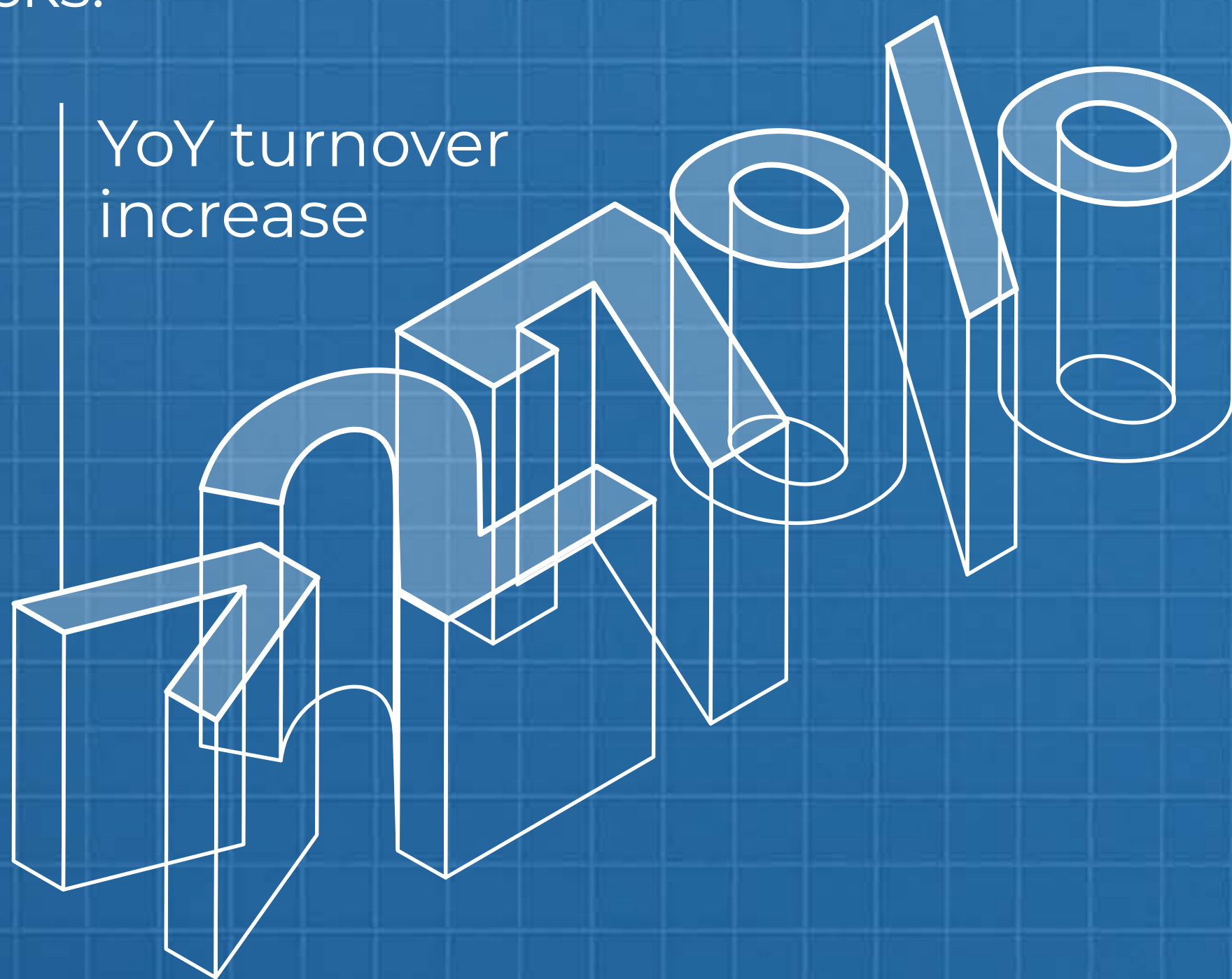
## Case Study 2

### Investing Through a Downturn in East London

A wholesale building supplier faced slowing demand and rising material costs in 2023.

#### Partnering with Merchant Capital

We provided **R5.2 million** over three years, enabling the business to maintain stock levels, introduce innovative flooring products, and avoid cutbacks.



#### Impact

- **27.9%** turnover increase in the first year of funding.
- Secured long-term contracts with local contractors by ensuring consistent stock availability.
- Expanded product range attracted both budget and premium buyers.

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