

# Foschini Group wants 'cash shoppers'

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The Foschini Group (TFG) continues to target shoppers who spend with cash rather than store credit, as it aims to boost earnings in a tough consumer market.



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The shift renders the group more defensive in tough economic and credit cycles.

The Cape Town-based retailer on Thursday, 6 November 2014, reported a 20.3% rise in cash sales for the half-year to end September. Credit sales, at the retailer which has 2,205 stores, grew just 5.9%, with the group rejecting almost 55% of customers seeking store credit.

Brands such as Totalsports, @Home, Due South, Fabiani and G-Star, whose customers typically buy in cash, are growing faster than its more credit-orientated brands. As cash customers would have the choice to shop at any of its competitors, the group has also been pushing its loyalty card to attract footfall through immediate rewards vouchers.

Over the period, the group sold consumer-finance business RCS Group to BNP Paribas, to reduce its overall gearing levels and focus on its core retail business.

CEO Doug Murray said too many of TFG's brands had been playing in the mass-middle market, and now the company had quite a broad LSM appeal. "If we were more reliant on credit and very focused on just clothing in the mass-middle market, like some of our competitors, it would be harder," he said.

Cash sales, as a proportion of the total sales, rose to 44.2% from 40.3% previously.

Sasfin's senior retail analyst, Alec Abraham, said that the group's diverse base had allowed it to move more towards cash.

"They have been doing this over time.... Credit retailers, I think, are something of the past in SA. If you go anywhere else in the world, you don't find clothing companies selling on store credit. It's a uniquely South African thing because in the old days when the disadvantaged masses couldn't have access to bank credit, the retailers provided that credit... things are now moving the other way," he said.

TFG, which trades out of 134 stores outside of SA, said that turnover had increased 25.9% at these stores.

"Last week we opened five stores in Accra, Ghana," Murray said.

The company's target is to have 280-300 stores outside its home market by 2018.

Source: BDpro via I-Net Bridge

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