

# Fair and foul weather retailer

While the recession may seem like a distant memory, its after-effects still weigh heavily on consumers who are facing challenging financial conditions, while grappling with mountains of debt and rising unemployment levels.

According to a poll run on [Justmoney.co.za](http://Justmoney.co.za) for the month of July, 60% of users said they would use extra cash from a rate cut to pay off their debt faster.

With statistics showing that 10 million out of the 18 million credit-active South Africans are in debt, the desire to become free from credit payments shows good intent by South Africans.

## Spend still rising

However, even with the best intentions, and with the economy clearly not out of the woods yet, discretionary spending seems to be on the rise.

Retail sales figures grew for the fifth consecutive month to 4.6% year-on-year for the three months ended May, indicating that consumers are spending, however deep, or shallow, their pockets may be.

## High expectations for Truworths

So it's no small wonder that South African fashion retailer Truworths International said in a trading update that it expects both basic and headline earnings per share for the full year to 28 June 2010 to be between 10% and 13% higher than those reported for the full year to 28 June 2009.

Truworths said that group retail sales for the period under review were R7.1 billion, 10.5% higher than the prior period, while trading space increased by 6% relative to the prior period.

Often referred to as the darling of the South African retail scene, Truworths continues to impress industry analysts by consistently performing well, regardless of trading conditions.

Ringling up both cash and credit sales, the Cape-Town based retailer lifted sales of merchandise nearly 12% to R3.7 billion for the 26 weeks ended 27 December 2009, from a 10% rise in sales to R3.3 billion for the 26 weeks ended 28 December 2008.

With 513 stores in SA and 19 franchised stores in other African countries, the group said that revenue was up 10%, to R4.03 billion from R3.68 billion previously, while trading profit of R1 billion was up 18%, from R848 million earlier.

## Gaining market share

Earlier this year, chief executive officer Michael Mark said that the group continued to gain market share.

"Market share in ladieswear increased from 20.6% to 21.7%, while the share of the menswear market has grown from 18.4% to 19.1%," he said.

"Truworths' customer base has grown considerably over the last two years, due to factors such as expansion, more consumers looking to buy on credit and also the fact that they have knack of interpreting fashion trends and delivering merchandise that appeals to a wide range of consumers," a retail analyst said.

He added that the group's expectations for the reporting period are in line, as they have performed consistently well throughout the trying economic climate.

Outperforming relative to its market environment, return on equity from Truworths in 2009 averaged at 45% compared with 29% from Foschini, making investing in Truworths a profitable move.

The late French fashion designer Yves Saint Laurent once said: "Fashions fade, style is eternal."

But in the case of Truworths, the style of their fashion offerings has proved to be the fix for eternally fashionable consumers.

Truworths' full year results will be announced on 19 August 2010.

For more, visit: <https://www.bizcommunity.com>