

Confident Clicks geared for expansion

Clicks is accelerating the roll-out of new pharmacies as many other businesses slash expansion plans.

By [Adele Shevel](#) 28 Apr 2009

The country's largest retail chain has opened 48 pharmacies in the past year and plans to open another 40 to 50 pharmacies in the medium term — at the higher end of forecasts.

The group does not derive much profit from the sale of pharmaceuticals but the offering attracts customers who buy other higher margin, items.

David Kneale, chief executive of New Clicks, wants each of the group's stores to have a pharmacy. Of the 335 stores, 180 have pharmacies.

The plan is to open 20 to 30 new stores a year for the foreseeable future.

Kneale and a new executive team came on board at the beginning of the year, when the fortunes of the group were waning.

Clicks was founded in 1968 and was essentially a chemist that did not sell medicines. Only when pharmacy regulations were changed in 2004 was the group able to open pharmacies. But systems were poor and implementation wavered until Kneale came on board.

Today, healthcare constitutes the biggest part of group sales — for the last financial year it amounted to about 80%.

When the group releases its interim results on Thursday, 30 April 2009, the market will be watching to see whether this proportion, and that of private label brands, has grown. Such growth is a key part of Click's strategy.

Private label products entrench customer loyalty, the price difference provides value and the profit margin is higher, often double that of branded counterparts.

Towards the end of last year, private label goods made up 17.5% of group sales. This is likely to have edged up towards the targeted 20%.

Clicks is one of those brands that has been around for decades and maintained a loyal following.

Mike Harvey, managing director of Clicks, has worked in the business for 20 years. He said the group reinvented itself as pharmacy chain, and health and beauty specialist, from being a general health, home and beauty store.

"We've always tried to keep one step ahead of supermarkets."

Clicks buyers travel around the world extensively looking at trends, especially in Europe and North America. The brand has kept relevant by stocking different types of product, gifts, exclusive brands and private-label products.

"We try to be first to market with innovative health and beauty products, and some electrical appliances."

In the late 1990s, the group launched the Clicks Clubcard, which has more than 2.5-million active members and is one of the most popular loyalty cards.

The brand has resonance with a slightly older generation, which has shopped at Clicks for years. As Harvey points out, older consumers have more money than younger ones and the group caters to their healthcare needs.

“We also ensure that we stay relevant and current.”

Clicks has proved to be a defensive stock, though not heavily traded. In the last financial year, return on equity increased 32.8%, above the target of 30%.

Pharmaceutical sales and private label sales each passed R1-billion.

Since Kneale took over, at the beginning of 2006, the focus has been on the implementation of strategy, performance and relevance to the customer.

Management has tidied up the group and restructured the balance sheet.

Reuben Beelders, a portfolio manager at Gryphon Asset Management, said a lot of financial changes have been done correctly at Clicks but, with regard to operations, only time will tell.

Source: The Times

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