Foschini Group plans to double African footprint over three years

By Zeenat Moorad

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Over the next three years, The Foschini Group (TFG) plans to double its African footprint from its existing spread of 104 stores, CEO Doug Murray said at the group's annual general meeting on Monday, 2 September 2013.

Political stability and strong economic growth has seen the rest of the continent lure retailers in search of higher yield, with consumer facing industries turning their attention to next hot ticket - the often-quoted one-billion African consumers ripe for the picking.

Consumer spending in Africa is projected by McKinsey Global Institute to reach US$1.4-trillion in 2020, from about $860bn in 2008. The Foschini Group, which also operates American Swiss and Totalsports is not alone in its endeavours to expand into the rest of Africa with listed players like Mr Price (MPC), Woolworths (WHL) and Truworths (TRU) setting up shop too.

Locally, Foschini Group said sales since the beginning of July had strengthened with growth up by 13%. This follows challenging trading conditions for the first five months of the financial year in which total sales were up by 9.1% and same stores sales growth up by 4.1%.

"Economic conditions in SA will remain difficult in the year ahead with the credit environment likely to deteriorate further due to current levels of consumer indebtedness," Murray said.

Although there are indications that borrowing for consumption in SA has slowed as lending criteria have been tightened, concern remains about the ability of consumers to repay loans and accounts.

Stanlib's chief economist, Kevin Lings, said consumer income growth was slowing reflecting the lack of job growth as well as some moderation in salary adjustments. In addition, consumers are still having to cope with a range of cost increases that have systematically eroded their retail spending power. These include higher energy costs, transport costs, education fees, medical service costs and water costs.

"Households cannot avoid these increases, as they relate to necessities or essential goods. While the rapid growth in unsecured credit provided some support to retail activity during 2012, it has slowed significantly in recent months, albeit off a relatively high base," Lings said.

For Cape Town-based The Foschini Group, the second half is heavily dependent on Christmas trading which will largely determine the performance of the group over this period. Despite the challenging credit environment, it said its debtors' book was performing "within management expectations".

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