

Committed to Change

TIMES ARE CHALLENGING ACROSS AFRICA AND, UNDER RECENTLY-APPOINTED CEO BERNIE BROOKES, HOUSEHOLD NAME RETAIL BUSINESS EDCON IS UNDERTAKING A HUGE PROGRAMME OF CHANGE AND REVITALISATION WITH THE AIM OF RE-ESTABLISHING ITSELF AS A MARKET LEADER WHILST RECONNECTING WITH CUSTOMERS' NEEDS AND WANTS.



EDGARS STORE, SANDTON CITY

The largest non-food retailer in South Africa, Edcon has been in operation for over 80 years and has expanded its footprint to include some 1,520 stores through nine different store formats. The company operates across South Africa, Namibia, Lesotho, Swaziland, Mozambique, Botswana, Zimbabwe, Zambia and Ghana.

Edcon's retail businesses are structured under three divisions: Edgars division, including Edgars, Boardmans, Edgars Active, Edgars Shoe Gallery, Red Square and the Group's mono-branded stores such as Topshop Topman, Tom Tailor, Dune, Lucky, TM Lewin, Lipsy, Salsa, River Island, Vince Camuto, Calvin Klein, Inglot, La Senza and Accessorize, whose products are also available through Edgars stores, serves principally middle and upper income markets. The Discount division includes Jet, JetMart and Legit, serving principally middle- to lower-income markets; and CNA, the Group's stationery, books, games, movies, music, hi-tech electronics and mobile retailer.

The Edcon Credit and financial services division provides credit and insurance products to the Group's customers. With the launch of its 'Thank U' loyalty programme, Edcon now has the

largest retail customer database in South Africa with more than 12 million customers, which enables it to provide customers with relevant offers across its suite of retail and financial services products; this programme includes all mono-branded stores in South Africa.

"The business had been performing poorly over the past four years, losing market share to a number of very strong competitors in South Africa," explains CEO Bernie Brookes. "I joined the Group in September of last year and we have since undergone a significant and elaborate transformation that includes the restoration of some of our brands to where they should be in the marketplace."

The strategy, he says, is to significantly turn the business around, firstly though a number of sizeable cost reductions whilst also relaunching and strengthening the quality of its own-label merchandise; another key focus to become a market leader from a price point of view.

With variations in brand and the demise of the Rand, Edcon's managed brands are becoming very expensive, and the Group is set to exit a number of those brands to focus on locally-produced private label products.

Not only is this more profitable but it also provides a competitive advantage: "With the South African economy remaining difficult, we are seeing more and more people take the cheaper alternative. We have a fantastic private label brand name, so the aim is to use that as another launch pad to revitalise the business," he adds.

Of course, given his extensive experience Brookes is no stranger to the business: "Things have progressed at a pretty frantic pace since my appointment, but there wasn't a lot for me to learn from a department store point of view. Naturally, there has been much for me to learn about the country and its culture, but I am fortunate to be able to bring with me a great many learnings from my time with Myer in Australia, which have helped me to move fairly quickly to make sizeable changes in the business."

The brand new Mall of Africa, the largest mall in South Africa, is scheduled to open in April and Edcon has over a dozen stores set to operate there under different brand names – this is an exciting proposition for the business and sees it competing with many best-in-class retailers.

The Group hasn't opened many new stores in the last six months, as it concentrates instead on refurbishing and revamping stores across the portfolio.

"I believe that one of our key growth prospects is in the online space, and whilst where we don't currently have transactional websites for Edgars or Jet, these will be launched in about three months," says Brookes. "Of course, we have a social media presence for all of our brands, and those that we manage from overseas, and this has grown significantly in recent years, particularly through the use of mobile devices."

A key differentiator is the fact that the Edgars and Jet brand names are extremely strong in the marketplace. Another is the fact that some 38 per cent of its business is



done through Edcon credit, whilst the Group is also extremely strong in terms of location.

"The brand has been around for over 80 years and is a household name," he adds. "We are not as strong as I would like in terms of customer service, and this is a component that we will be pushing very strongly over the coming months. Bringing people on this journey of change is the real challenge, and will require very strong and cohesive leadership; we have to work hard to win the hearts of our staff and of our customers."

Whilst the next 12 months will indeed be a testing time for Edcon under new leadership, it will certainly be fascinating to watch the businesses progress moving forward.

