

ANALYSIS

Steinhoff has rarely been out of the retail headlines this year. Bosses Andy Bond and Sean Summers speak to **James Wilmore**

Where Poundland deal fits in the Steinhoff big picture



Steinhoff has made waves in recent months by launching two failed takeover attempts for Home Retail and French electricals retailer Darty.

But it looks set to be third time lucky for Steinhoff as it edges ever closer to acquiring value giant Poundland. Steinhoff is expected to complete a £597m swoop for Poundland in mid-September.

But, despite a market capitalisation of €21bn (£17.6bn) and nearly 7,000 stores worldwide across 40 brands, outside of South Africa Steinhoff is “not an understood business”, according to UK chief executive Sean Summers.

He says: “One of the advantages up until now is that Steinhoff has managed to be this sort of silent mover in the world.” Until now.

Much of the interest in Steinhoff is prompted by the fact that its largest, yet still minority, shareholder is South African billionaire Christo Wiese. His links to Steinhoff were forged when his fashion business, Pepkor, was acquired by the South African giant in late 2014. He is also known as ‘Mr Shoprite’ for having a controlling stake in South Africa’s biggest grocer.

On top of that, Wiese is a backer of investment vehicle Brait, whose assets include New Look, Iceland and Virgin Active.

With the prospective Poundland deal and the publicity it has attracted, Steinhoff this week raised its head above the parapet when former Asda boss and Pepkor Europe chief executive Andy Bond and Summers explained Steinhoff’s business model.

Global operations

Since being founded in 1964 by Bruno Steinhoff in Westerstede, Germany, Steinhoff has developed into a retail Goliath that operates in 30 countries across Europe, Africa and Australasia. It employs 105,000 people globally and switched its primary stock market listing from Johannesburg to Frankfurt last year. Led by chief executive Markus Jooste, it covers an array

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Sean Summers, Steinhoff



Steinhoff is expected to complete a £597m takeover of Poundland in September; Andy Bond (Inset)

of sectors including furniture, appliances, general household goods, clothing and footwear and even automotive. Around 60% of its revenues come from Europe, where it is the continent’s third largest furniture retailer – it operates Conforama in France and Bensons for Beds and Harveys in the UK. A third of sales come from Africa and 7% from Australasia.

Summers describes Steinhoff as a “diversified, international value and discount retailer”. But it is not simply a retailer. It prides itself on the fact that it is a vertically integrated business, which has vast manufacturing, sourcing and logistics services.

In the UK for example, it produces around 1,800 mattresses a day at plants in Huntingdon, Cambridgeshire, and Wellington, in Somerset. But with all these diverse operations, how does Steinhoff manage its businesses?

Total autonomy

Summers describes it a “very decentralised business” that gives “total autonomy” to each operation. In that respect, he regards Steinhoff as the antithesis of Ikea.

“The only retailer who has got it right globally with a one-shoe-fits-all philosophy is Ikea,” says Summers. “Steinhoff is fundamentally different.

“We are more aggregators of retail businesses, we understand that in all of these diverse geographical markets we operate in, it is vitally important that each and every single operation is run by an entrepreneur who lives, sleeps, dreams and eats the business for that country.”

Summers is adamant this is the approach that

will be adopted at Poundland. “There’s not going to be some SWAT team coming in and changing everything overnight,” he says.

A question remains over whether new Poundland boss Kevin O’Byrne, who only officially took over from Jim McCarthy this month, will stay on.

When asked about that, Bond would not be drawn. “Kevin is a seasoned retailer, he might not be a seasoned retailer at Poundland, but he is a seasoned retailer,” he says.

Speculation has also mounted over Steinhoff’s potential plans for Poundland’s stores, bearing in mind the South African firm’s discount fashion chain Pep & Co and its recently launched discount variety chain Guess How Much!

Again Bond will not be drawn on plans, but points out there are opportunities to leverage some of Steinhoff’s existing infrastructure, including sourcing from China and back office functions.

And Bond remains predictably upbeat about the opportunity around Poundland, despite the retailer’s recent woes, partly inflicted by the big four grocers’ ongoing price war. Full-year pre-tax profits, including 99p Stores, fell 83.7% to £5.9m despite sales growth of 18.7% to £1.3bn.

“The competition has sharpened up its act – the big four retailers are lowering their prices,” says Bond.

But he maintains: “The discount sector is still growing dramatically. With a bit of sharpening of its proposition can Poundland be a success? Absolutely.”