

Dis-Chem to acquire Baby City for R430m

Dis-Chem Pharmacies is set to acquire Baby City and its network of 33 stores from founder shareholders, the Aronoff family, for R430m.



Image credit: Ballito Lifestyle Centre

The pharmacy group believes there is strong potential to significantly grow the Baby City footprint by approximately 30 further sites.

In-store clinics

Dis-Chem plans to add in-store Dis-Chem branded clinics to enhance Baby City's retail stores. The clinics will offer ante- and post-natal clinic services aimed at babies and toddlers.

The pharmacy group said these services will enhance the destination store status of the Baby City brand and in turn allow the Dis-Chem clinic infrastructure within its own stores, which currently offer these services, to handle the growth it is seeing in primary care clinics services volume.

According to Dis-Chem's CEO Ivan Saltzman, Baby City has been an acquisition target for Dis-Chem for "many years".



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Developing a standalone baby destination store network

Baby City was founded in Durban in 1992, and sells a comprehensive range of branded baby products. Michel Aronoff, who conceptualised and strategised Baby City's direction, will continue to serve as managing director of Baby City and current staff will be retained.

Dis-Chem's CFO Rui Morais says the characteristics of the baby product sector align with those of the pharmacy sector. Both sectors are extremely resilient with perpetual new entrants - the baby sector sees approximately 900,000 new babies annually.

"Our current offering is very focused on the FMCG and basic essentials categories which are extremely sensitive to price and promotion. To deliver both a destination baby experience to the first time parent and allow growth into the more specialised baby categories such as baby gear (prams, car seats, swings, bouncers and other nursery equipment), clothing, developmental toys, amongst other categories, we required a standalone baby destination store network whose brand positioning aligned with our own brand," says Morais.



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Expanding Dis-Chem's loyalty offering and private label products

Baby City is currently without a loyalty offering. The pharmacy group believes that extending the Dis-Chem loyalty and partner offering – currently comprising 4,5 million members – to Baby City customers will drive increased shopper frequency and bigger customer baskets.

The combined loyalty offering will also ensure the ability to capture the transition of the first-time parent in the Baby City environment to the baby maintenance shopper in the Dis-Chem environment. Added to this is the ability for Dis-Chem to extend private label brands into the Baby City stores, opening the opportunity for gross margin expansion in the Baby City business.

Operationally the Baby City retail stores will be integrated into Dis-Chem's current supply chain and serviced by CJ Distribution.

"There are clear opportunities to harness synergies across both brands," says Morais. "Baby City benefits from very strong brand equity amongst South African consumers, specifically from first time parents, which is core to our vision of creating a further enhanced baby destination store and experience. We are excited about the return enhancing nature of the transaction."

Michel Aronoff, managing director of Baby City, says both organisations share the same ethos and passion inherent in family-founded and run businesses. "Our trajectory echoes Dis-Chem's history and growth and we are confident that our shared philosophy of customer-focused quality and service will translate into solid growth for Baby City as part of the Dis-Chem stable."

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