

Woolworths to open 18 new Country Road, Trenery stores

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Woolworths will open 18 new Country Road and Trenery stores in South Africa over the next three years, the retailer said on 29 August 2013.



WOOLWORTHS

The Cape Town-based group has ramped up its fashion credibility through supply-chain changes as entrants such as Zara, Cotton On and Topshop expand in South Africa.

Woolworths says it can now get to market within five to seven weeks on nearly 30% of its goods, where previously it took more than 11 months. It has invested in new systems and established a merchant academy to train its buyers, planners, technologists and designers. It also uses customer data to segment merchandise and plan the layout of its stores.

Woolworths says it also has big plans for the Witchery and Mimco brands in South Africa.

Country Road, Woolworths' 88%-owned subsidiary, concluded the acquisition of 40-year-old fashion retailer Witchery Group from Gresham Private Equity for A\$172m (R1.6bn) in October. It will introduce the brands in March next year with the opening of 15 stores in South Africa, including standalone and store-in-store formats.

On Thursday (29 August), the retailer reported a 27.3% rise in full-year profit, as its core high-income customers continued to snap up goods.

For the year to June headline earnings per share were 340.4c, compared with 267.3c last year. Return on equity increased from 46.4% in to 49.7%.

Strength

Commenting on the results, Woolworths' chief executive Ian Moir said: "We are pleased with the strength of these results, especially in light of the tough economic conditions consumers are facing in South Africa and Australia."

"In South Africa, we have found that the upper-end consumer remains less constrained, and this, combined with our focus on quality and value, has enabled us to continue generating loyal customers in this segment," he said.

Woolworths clothing and general merchandise sales grew 12.3%. Gross profit margins in this division improved from 44.5% to 46.4% as the group benefited from improved sourcing and inventory management. Food sales grew 15.4%, well ahead of market growth of 7.1%.

In the food sector, Woolworths has taken on Pick n Pay and Checkers through its supermarket strategy of converting basket shoppers to trolley shoppers. It is wooing its competitors' grocery shoppers by extending its ranges, expanding stock-keeping units, offering more branded goods and introducing more bulk.

Woolworths plans to continue with store extensions and new developments that will shape bigger chains, allowing for an extended catalogue of products and more choice in food and nonfood categories.

Sales at Country Road in Australia increased by 68.6% in Australian dollar terms, or 90.8% in rand terms. Country Road now contributes 16% to group profit.

Woolworths Financial Services' overall debtors' book reflected year-on-year growth of 15.8%.

Moir said that while the group expected economic conditions in South Africa and Australia to remain constrained and trading for the first eight weeks of the new financial year had been in line with expectations.

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