

## Furniture Segment Review

DURING THE REPORTING PERIOD spending on durable goods remained a low priority for most consumers still contending with often high levels of household debt, coupled with sharp increases in transport costs and utility fees. After an acceptable first half, the furniture market collapsed over the first three months after Christmas before recovering strongly during the last three months of the reporting period. Although sales rose across the board, the momentum was provided by the Soccer World Cup fuelling a demand for LCD, LED and Plasma television sets. This spurt in sales, in almost all stores of the segment, enabled it to report total turnover growth of 16,7% for the full period, with sales in existing stores up 10,9%. As was the case in the previous year the strongest growth was reported by OK Furniture and OK Power Express (17,3%) which targets middle- to lower income consumers. The other chain, House & Home, which focuses on higher-income consumers, achieved 15,9%.

The turnover growth must be seen against a background of overall price deflation in the furniture segment of 5,5%. This necessitated substantial increases in unit sales just to match income in the previous year and had to be achieved in a vastly competitive market in which everyone had the same objective. Nevertheless, the segment succeeded in achieving substantial sales growth by consistently applying a very competitive pricing



OK Furniture, Kuils River

strategy matched by improved levels of in-store customer service.

To supplement the low margins achieved on many discounted items, the division extended its policy of direct imports, mainly entry-level white and brown goods from the East, which are sold locally under the segment's own brands and which yield better margins. Because of its confidence in the quality of these items, the Group intends growing such imports further.

During the year, the OK Furniture and OK

Power Express stores experienced a sudden and dramatic swing to cash sales. In an attempt to stem the tide and to maintain an acceptable balance between cash and credit, a programme was introduced to stimulate contract sales. While bad debts stabilised during the reporting period, the bad debt provision was increased in terms of Group policy and is adequate to cover any possible write-off.

During the reporting period a net 16 new outlets were opened to bring the total number of stores to 280, of which 27 are outside South Africa. Of the net new outlets, 12 trade under the OK Furniture banner, one under that of House & Home and three under the OK Power Express banner.

With a view to the future, a new in-store scanning system was introduced in all the stores. It has facilitated the scanning of credit documentation to the granting office and it also offers the potential for a number of other in-store applications. The division also intensified its ongoing training programme as a counter to the lack of qualified people in the industry and to further improve customer service.

The segment is planning to open 16 stores in the new financial year. In line with the Group's strategy to strengthen its foothold across Africa, it envisages the opening of at least three stores in Angola, all of which will be closely linked to existing Shoprite supermarkets. At the same time the segment will also be moving into Zambia where the Group has a well-established business and accompanying infrastructure.



House & Home, Tygervalley, Bellville