

Operating Review USave



GUSTAVE MÖLLER
DIVISIONAL MANAGER: USAVE



Sales growth in RSA	57.7%
Growth in number of customer transactions in RSA	36.5%
Number of stores in RSA	129 (2008: 93)
Growth in value per transaction in RSA	15.5%
Number of staff in RSA	1 834 (2008: 1 268)

During the reporting period Usave became firmly established as a strong brand in its own right, serving close on 4,2 million shoppers a month. It enjoyed a rewarding trading year, growing turnover 21,3% on a like-for-like basis in South Africa and in the process gaining considerable market share. The growth in value per transaction was in line with internal food inflation.

With a net 36 stores opened in South Africa during the year Usave now operates a total of 129 stores in South Africa. They are mostly

located in standalone buildings but the chain is increasingly being accommodated in smaller shopping centres. Some 50% of its sites in South Africa are rented from newly empowered property developers.

The economic downturn influenced various areas of the business; some notably positive for the brand. On the one hand, some hitherto unavailable but very desirable sites became vacant as former tenants were unable to cope in the present economic climate. On the other hand, it brought in many new customers from across the income spectrum keen on reducing their expenditure on food and other daily necessities. Curtailed disposable income also became evident in a shift to cheaper alternatives even in the case of products known to enjoy strong brand loyalty. In certain product ranges smaller pack sizes were introduced to still make them accessible to cash-strapped consumers.

Usave's business model is based on a limited range of merchandise, a model applied with great success elsewhere in the world. Store sizes vary between as little as 300 m² and 1 000 m². Regular stock replenishment makes it possible to restrict the storage of dry goods to a small portion of total floor space.

Over a period of three years stockholding

was reduced substantially while stock turn was increased gradually. Product availability nevertheless continued to be a challenge with supplier service levels dropping further. Instock levels were ensured through the judicious use of centralised storage and distribution facilities, assisted by smaller local manufacturers who supply stores on a regional basis.

Management continued to grow the range of private labels that sell for substantially less than competing products. Private labels now represent about 10% of the Usave product mix.

During the year the chain introduced once-off non-food job lots sourced internationally and sold at highly competitive prices to stimulate customer interest and motivate regular return visits. The success of this innovation has prompted the Group to extend the number of such offers available to consumers.

During the reporting period a lot of effort was put into job-specific training to provide the Group with qualified people needed to manage the chain's rapid growth.