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InNumbers 32
The number of countries in which TFG has a footprint

Business Technology

Sunday Times

TFG gears up for online retail future

Group unveils Amazon-like one-stop fulfilment website

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● TFG has notched up its digital strategy in a move that has the potential to disrupt SA's clothing retail landscape and directly challenge e-commerce retailers.

On Wednesday, TFG launched its myTFGworld online platform, which lets customers in SA shop for a wide variety of products across 17 of its brands without having to visit their individual websites.

The format is similar to that of Chinese e-commerce giant Alibaba, which connects brands with shoppers around the world.

TFG CEO Anthony Thunström said the site's major differentiator was that it curated products for customers across the brands.

This means that someone looking for a specific item of clothing can search for it and will be shown the best options across the brands, ranked according to price.

The magazine-like website's landing page has advice for shoppers about what is on trend and information about products across the brands.

Book a trip to go with the shirt

Beyond the site's apparel offering, TFG has partnered with third-party brands, expanding the products to which shoppers have access, from travel bookings to toys, books and flowers. These third-party brands include Hamleys toy shop, Bloomable flower and gifting, Readers Warehouse, gift store Py-lones and Seekers Travel.

"It's a first, I think, in SA. There are not that many examples around the world ... We've got all our South African brands [on the website]," said Thunström.

He said myTFGworld had seven partner brands now but planned to have twice as many by the end of the year.

"We've been investing, I think slightly ahead of the curve, in online for several years," Thunström said.

"The reason for that is you can just look around the world – online, when it really takes root and starts to grow, if you are not deeply invested already, you tend to get left behind."

The first 1,000 customers who used the site within 24 hours of its launch had given positive feedback, Thunström said.

The group has approached its third-party partners with caution, putting in place strict service-level agreements and insisting that they adhere to customer-service guidelines.

Thunström, who on Thursday presented the group's results for the half year ended September 30, said TFG had performed well given the tough environment in which it was operating.

TFG's share price is up 23.46% for the year. It was trading at R138.93 in November last year before peaking at R235.22 in March this year, and is now R171.52.

Thunström said the share price reflected the pressure the entire retail sector had been under and he was not unhappy with its

movement relative to its competitors.

The group, whose 28 brands are in fashion and homeware, has a footprint in 32 countries on five continents.

Retail turnover grew by 28.6% in the six months, with most of the growth coming from Australia, followed by the UK and SA.

Online sales have also seen growth, particularly in the UK, which accounted for 30% of the group's total online turnover.

In Australia, online turnover grew by 4%, and in SA it increased by just 1%.

In both the UK and Australia, the growth was due to retailers and shoppers migrating from bricks-and-mortar shops to online.

Thunström said despite the limited growth in online shopping in SA, TFG believed its investment in it was the right move.

However, the group would continue to expand its 2,652 physical shops in SA because it had learnt many local consumers still favoured them over online.

Thunström said a combination of online shopping and conveniently located physical stores was going to be the future of retailing in SA, "and we are prepared to work very hard to get there".

Maxwell Ramutla, CEO of technology solutions company Afrovation, said TFG appeared to be moving its strategy towards being a fulfilment partner, similar to Amazon, effectively turning its stores into warehouses and making sales online.



We've been investing, slightly ahead of the curve, in online for several years – Anthony Thunström



In combination with online, TFG is continuing to expand its bricks-and-mortar presence in SA. Picture: Muntu Vilakazi

"They've actually changed their business from being about clothing and retail to being about fulfilment."

"I think it's a great strategy, if they can pull it off," he said.

He said the myTFGworld pilot was likely to yield valuable information because SA's growth in internet-ready devices had been astronomical, which created a ready market for a company that had the right product.

"It's a wake-up call and it's about time," said Ramutla.

"It is absolutely critical that SA is seen as what it is."

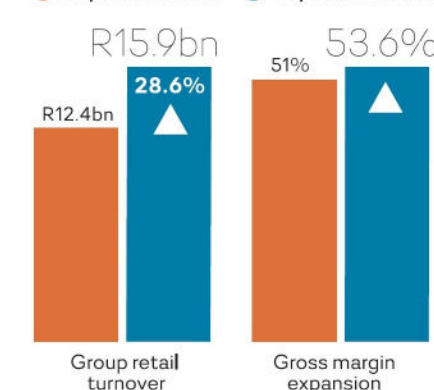
"We are a hybrid society – you can't say we are completely Third World, nor can you say we are completely First World."

TFG's timing was just right in a market with high mobile-internet penetration that was continuing to grow, he said.

TFG growth

Half-year ending September 30 2018

● September 2017 ● September 2018



Graphic: Ruby-Gay Martin Source: TFG

- ▲ Headline earnings growth 14.3% to a record **R1.2bn**
- ▲ Headline earnings per share up 8.3% to **506c**
- Free cash flow generated equal to **85%** of net profit for the period
- ▲ Interim dividend **330c** per share

- ONLINE ▲ SA: 1%
- ▲ Australia: 4%
- ▲ London: **30% up** 15% from previous year

TFG has brought two more TFG Africa brands online – Donna and The FIX. Of the group's 28 brands, 22 now offer cybershopping, contributing to **7.9% of group turnover**.