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TFG's Murray hangs up his CEO hat after 11 years

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● It's the end of an era for The Foschini Group's international expansion man, outgoing CEO Doug Murray. In his 11 years at the helm of the company, the retailer has completed five international acquisitions.

Murray, the brains behind the acquisitions of Phase Eight, Whistles, Hobbs (TFG London), Retail Apparel Group (RAG) and G-Star Raw in Australia, will bid farewell to the almost R30-billion company in September.

His tenure has overseen a more than 350% share price climb for the owner of local brands such as Markham, compared to a doubling of the JSE All Share.

Murray told Business Times this week that "most of the [international] acquisitions come about through personal contacts".

"All of our acquisitions have been relationship-driven. They tend not be brought in by an investment bank."

Murray said TFG London had had relationships with mangements of various retail teams.

"When TFG bought Whistles, the retailer [Whistles] had suffered some losses — we wouldn't have acquired that from here.

"But the fact that we had the team in London, we knew exactly what the business plans for it going forward were and we saw that we could bolt it on to our London platform."

Currently, about 25.4% of TFG's business is international, with the rest coming from the African continent.

"It wasn't that difficult, because it was a strategy and it was clearly laid out and we would've not done anything that put the mother ship in Cape Town at any risk. We were very cautious," he said.

The retailer's rivals haven't fared so well in adventures outside the continent.

Woolworths, the once star performer among South Africa's leading retailers, has come unstuck because of its expansion into the Australian market through the purchase of David Jones.

Doug Murray, CEO of The Foschini Group

It's a purchase that has now weighed on earnings and prospects for the retailer, which at one stage seemed to be riding the crest of a wave locally.

Brait's purchase of New Look in the UK has also proved a bad buy for the company. The fashion chain could end up closing 60 of its 593 stores in that country and cutting 980 jobs.

Trying to expand

But Murray was not always known for his prudence. Just after he had taken over as CEO, the group had decided to make house calls to investors.

"The market was tough, the numbers were tough, but if we were to position ourselves for the future, we had to do what was right today," he said.

"That was hard, everybody was putting their heads in the sand and hunkering down while we were trying to expand and make decisions which we would only get the benefit of in the longer term."

But it seems that those decisions have paid off for the group.

Thabiso Mamathuba, investment analyst at FNB Securities, said the strength of the group's performance over the past years stems largely from the fact that it is well diversified across different merchandise categories, with exposure to value- and sports-related apparel. The company's brands appeal to consumers across the majority of living standards measure groupings, from value purchasers to the upper market segment.

"Merchandising has also been pretty strong, with local design capability and quick response being key differentiators. The retailer has also been more successful in diversifying its operations offshore, with the acquisition of Phase Eight not detracting value in the way than some of the other retailers' acquisitions have."

Mamathuba added that the group was well positioned to take advantage of the expected recovery in consumer confidence.

TFG currently has 28 retail brands that trade in fashion, jewellery, accessories, sporting and outdoor apparel, cellular equipment, homeware and furniture across its outlet brands that include Mat & May, @Home and Foschini.

"Management's focus should be on bedding down their recent acquisitions while also focusing on cost control and managing its debtors book through maintaining strong recoveries growth," said Mamathuba.

What Murray believes sets TFG apart from its peers is that "we've communicated well through the group, we then communicated clearly to the investment community and they've got a consistent message from us, and the results started coming and we just keep looking ahead and adjust the strategy ahead".

Murray will be replaced by Anthony Thunström, the group's current chief financial officer.