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### TFG funds digital transformation

TFG clothing group is investing heavily in "digital transformation" and using big data to understand individual customer preferences and shopping habits. /Page 12

# TFG invests heavily in big data to understand its customers' habits

## ● Retailer looks long term with digital capacity

Katharine Child  
and Karl Gernetzky

TFG clothing group is investing in "digital transformation" and using big data to understand individual customer preferences and shopping habits.

TFG, whose brands include American Swiss, Foschini and Markham and also operates in Australia and London, did not disclose how much it is investing in digital platforms.

TFG CEO Anthony Thunström said the company is investing in what he called "the customer project" using big data to understand the stores that individuals shop in, when they do their shopping and the brands they buy – right down to their favourite colours.

The company uses its credit rewards programme and its much larger cash rewards programme to track customers and understand what sort of shoppers they are. For example, understanding individuals who buy goods only on end-of-season sales could influence marketing targeted at them.

In its results announcement, TFG said "the retail outlook for SA is particularly challenging given the close to zero growth environment, chronically high structural unemployment and

the continuing speculation of a possible credit downgrade".

The group generated free cash flow of R1.1bn in the six months to September 2019, the equivalent of 91.4% of net profit after tax.

Thunström said TFG's strategy is to genuinely take quite "a long-term view of everything we do" – thinking of where the company wants to be in eight years' time.

"We have really strategic thinking around the longer term rather than focusing on Black Friday or Christmas."

### ONLINE SALES

TFG group revenue rose 6.3% to R18.6bn for the six months to September.

Group retail turnover was up 6.5% to R17bn.

Thunström predicted that the country's online sales growth, now 1.5% of turnover, would hit 7%-8% of sales turnover in less than five years.

Despite constrained consumer spending and more risks than positives in SA, the CEO said that the TFG is investing in local manufacturing, saying it can produce a simple graphic T-shirt here for almost the same price it can buy it in China.

Some manufacturing has moved offshore in recent years



**150**  
the lead time  
in days for  
high-selling  
items ordered  
from China

**2**  
the number of  
factories  
TFG has in  
the Western  
Cape, helping  
to give it  
greater  
flexibility in  
ordering

### FOCUS ON BIG DATA

TFG

Share price, daily close (cents)

Close: 16672

20000

19000

18000

17000

16000

15000

14000

N D J F M A M J J A S O N  
2019

THURSDAY'S SHARE INFO

High

% move

p:e

Dividend yield

Market cap.

17800

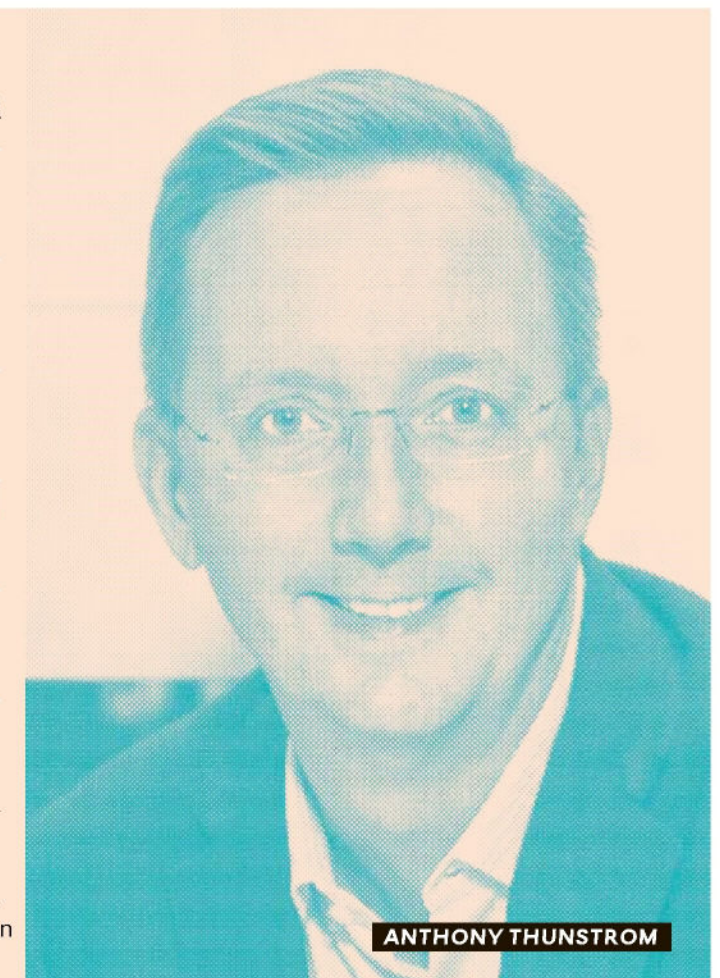
2.87%

13.80

4.71%

R39.472bn

Graphic: RUBY-GAY MARTIN Source: BLOOMBERG



ANTHONY THUNSTROM

due to far cheaper costs.

Thunström said it is a "misnomer" to say China is a lot cheaper due to high wage growth, the weaker rand making imports pricier and slower

lead to times for fashion.

TFG owns two factories in the Western Cape, allowing it 42 days' lead time to order high-selling items in contrast with 150-day lead time in China.

Thunström explained that using local factories, in addition to importing, meant it could order smaller stock numbers upfront, decreasing one of the retail sector's "big risks" of too

much stock that doesn't sell.

TFG Africa grew turnover 6.4% to R11bn.

TFG London saw turnover growth of only 0.1% to £200.7m (R3.82bn) due largely to the poor

performance of its House of Fraser brand, the group said.

The UK was a particularly tough environment with Brexit uncertainty.