

COMPANIES

Luring consumers with food

● Fashion retailers are targeting new in-store concepts

Colleen Goko
Retail Writer

Shopping is no longer enough of a drawcard for consumers to come and spend at brick-and-mortar stores. Many fashion retailers are looking to new in-store concepts and food to pique the interest of fussy and under-pressure customers.

Department stores such as Stuttafords and Garlicks first began the trend decades ago. But cafes soon fell out of favour.

Woolworths brought food back into popularity with the introduction of its coffee shops inside its stores. Edgars and TFG are just two examples of retailers that are offering a similar service and experience to that of Woolies.

TFG said with the multitude of international players appearing in the country and the ease of global brands, it felt it was time to think differently in order to win customers.

"Customers are yearning for a point of difference when it comes to their shopping experience," said TFG head of marketing and eCommerce Kathryn Sakalis.

"We have begun to answer these needs. We have introduced a juice bar and a Vida e Caffé coffee shop in one of our biggest @home LivingSpace stores in Sandton City and a funky barber shop in two of our Markham stores. Both concepts bring a little something extra... a little surprise and delight if you like," she said.

The juice bar concept and coffee shop for @home LivingSpace was included as part of the store's revamp earlier in 2017 and had been instrumental in attracting customers.

"Set up to look like a minikitchen, the juice bar draws the crowds particularly over the weekends and sees customer dwell time in store increase as well as additional rands in the till. The Vida allows customers to sit and relax with a coffee before or after their shopping," said Sakalis.

Edcon's Edgars brand has collaborated with Famous Brands to test the waters in quick dining with the launch of a café concept inside the Edgars store in Eastgate mall in Johannesburg called MADE.

The café has been in operation for three weeks and was inspired by the desire to enhance the customer shopping experience and offer them a space to pause and connect while buying the latest fashion, beauty and hot items – all while enjoying a delicious meal and great ambience, said Edcon.

"The MADE Café is the ultimate destination shopping experience, infusing fashion and food, a spokesman for the company said.

"Edcon is assessing its performance on an ongoing basis

and will only make a decision as to its viability as well as further roll-outs after this pilot phase."

Woolworths, meanwhile, has taken in-store food to its Australian operation David Jones. David Jones opened its new

2,400m² immersive food hall at Westfield Bondi Junction in Sydney earlier in August.

The food hall features oyster, salad, sushi and juice bars as well as a florist, deli, bakery, butcher and fishmonger.

TFG said that its initiatives were still in their infancy, but both brands hoped to be able to roll out the concepts in other stores around the country in the near future.



Snack attack: Woolworths introduced coffee shops in its stores, while Edgars and TFG are following the trend. Edgars has launched a café concept at its branch in Eastgate mall. / Reuters

NEW JSE LISTING

ARC could trade at discount to net asset value

Moyagabo Maake
Financial Services Writer

African Rainbow Capital (ARC) Investments faces the prospect of trading at a discount to its net asset value (NAV) when it lists on the JSE next week due to its complicated cost and management structure.

The company – which mining magnate Patrice Motsepe is taking public after two years of quietly snapping up minority stakes in Alexander Forbes, EOH, Afrocentric Health, Rain and Santam – is listing with an initial portfolio worth R4.5bn, and seeks to raise R4bn in capital from investors at R8.50 per share. The net proceeds of the listing are expected to raise total assets to R8.4bn.

ARC Investments, which has been set up as a holding company with its assets held in the ARC Fund, a private-equity structure, will charge a management fee of 1.7% a year on the average of the invested and closed net asset value of each quarter. Should the value of its assets stay the same by November, when the first management fee is due, investors are due to pay a steep R35.7m in fees.

This excludes a 0.25% annual cash management fee, payable every quarter. It also excludes a 16% "performance participation" incentive, which will see the general partners of the fund – including Motsepe and joint CEOs Johan van Zyl and Johan van der Merwe – converting a lower class of shares into ordinary shares on achieving a 10% yearly growth in assets. "This fee structure would attract a dis-

count to the NAV in terms of valuation, but this would be offset against one's personal view of the stated R8.50 a share NAV, how conservative it is, for example if the true intrinsic NAV is actually quite a bit higher; and the credentials of the management team involved," said Jean Pierre Verster, a portfolio manager at Fairtree Capital.

Investors would be eyeing the fund's black economic empowerment credentials.

Alphawealth analyst Keith McLachlan said the fund's costs implied a 20% discount from the first day of trading, likening it to investment company Astoria.

Astoria, which holds shares in US blue chips, such as private equity firm Blackstone, social media giant Facebook and technology company Apple, is trading at R1165, a 25.4% discount to its NAV of \$112.

It appeared that telecoms operator Rain would represent 30% of ARC Investment's NAV, key to assessing the value of the R8.50 offer, Verster said.

Adrian Cloete, portfolio manager at PSG Wealth, saw value in the operator, which held the only licence in the 2,600MHz spectrum. "Rain has made significant progress in building a dedicated national LTE Advanced network in the valuable underutilised frequencies. [It] could disrupt the mobile market."

"The R8.50 is a fair price to offer to outside investors as they get the opportunity to participate in investment opportunities normally only available to broad-based black economic empowerment companies."

CEMENT PRODUCERS

Mooted Afrisam merger fails to raise a murmur at PPC

Alistair Anderson

The proposed merger of cement producers PPC and Afrisam was barely discussed at PPC's annual general meeting on Monday.

No questions were raised about what is likely to be a protracted affair, with PPC's chairman, Peter Nelson, saying after

the meeting that a tie-up could take up to 18 months after a deal had been agreed.

Regarding other merger possibilities, Nelson said PPC was an attractive company with the potential to draw more than one suitor. PPC would consider any binding and firm offer, from Afrisam or any other party,

should one arise. The smaller cement producer, Afrisam, pulled its second merger proposal on Friday and has said it is working on a larger and stronger proposal.

Nelson said PPC was continuing its daily operations while it awaited the next proposal.

PPC and Afrisam had been in

their latest round of talks for about seven months, he said.

If an offer were accepted, it could take between 12 and 18 months, given legal and competition authority processes, to complete a merger.

A merger of Afrisam and PPC would largely be beneficial for Afrisam. "Cement-pricing pres-

sure over the last 18 months, due to supply growth and lacklustre demand, has made life difficult for cement producers, especially so for those with high debt and no real or sustainable cost advantage; Afrisam falls into that bracket," Mish-al Emeran, an equity analyst at Electus Fund Managers, said.

"The market is in need of consolidation," he said.

"PPC, with its scale and cost advantage and post its equity raise last year [2016], is relatively better placed to weather a sustained low cement price environment. In my view, Afrisam is more in need of a deal," he said.



Joburg is working towards a cleaner city

Do you want a cleaner city? Do you want a litter-free neighbourhood? Then roll up your sleeves and join the City of Johannesburg's volunteer clean-up campaign: **A Re Sebetseng – together let's make Joburg work!**

City of Johannesburg Executive Mayor Herman Mashaba calls on all Joburg residents to partner with the City to clean up their neighbourhoods on the **last Saturday of each month**, starting from the **30th September**.



www.joburg.org.za

@CityofJoburgZA

CityofJohannesburg

CityofJoburg