

# STUTTAFORDS

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# Dressing



The past few years have been difficult trading periods for retailers and as Alan Swaby learns, even the most prestigious names in the business have had to learn new tricks





nyone who doesn't think that a business has to reinvent itself periodically," says Hilton Mer, executive chairman of Stuttafords—South Africa's most prestigious department store— "is deluding themselves and by so doing, will prejudice the sustainability of the business. One has to be proactive in keeping in touch with markets and consumers."

In a nutshell, this was the scenario waiting for Mer when he was invited by a major shareholder of Stuttafords to stop the rot. What had once been a proudly owned and managed family business had found its way into corporate hands, and a leveraged buyout by historical management, which saw the retailer as a cash cow rather than an integral and ongoing part of South African life.





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Despite making a name for himself in a 15-year-long career as a corporate lawyer, Mer has arguably made his greatest contributions in retailing. After guiding one international FMCG group to a position of dominance in 14 African, Asian and Middle Eastern countries, with group sales in the order of \$3 billion, he gave himself the luxury of working on only short-timescale, fire-fighting exercises in a range of retailing sectors until accepting the call from Stuttafords in 2010.

“This is a retailer that traditionally operated at the upper end of the spectrum,” he explains. “Our customers were people who actually or proverbially drove Rolls-Royces and changed them every year, but since 2008 there has been an enormous shift in behaviour. There are still those who can swap their Rolls every year if they want—but largely they don’t. People are now far more value conscious when making indulgent purchases. The period of mere excess, without evaluating the value proposition, ended abruptly and the group was slow to respond.”

When talking about consumer economic groups, South Africa divides the population into 10 LSM (living

standards measure) levels, with 10 at the top of the scale. So whereas Stuttafords historically catered only for consumers in the LSM 8 to 10 range, it now sees its customer base as also including LSMs 6 and 7. Continuing the motoring analogy, you can now find the full range of BMWs at Stuttafords, including the entry level models; but you won’t find a mass market Ford Fiesta. “We offer recognisable brands, quality and status, including the uniquely Stuttafords entry level of luxury affordability,” says Mer.

“The global financial crisis brought with it a complete mindset shift amongst consumers,” he continues, “with a much greater sense of vulnerability, a need for caution and an eye on fair value for money. People are still spending, and most aspire to comfort, status and quality, but in a more measured and considered way. They still want the feel of luxury but at a more attractive price. This is the space within which Stuttafords has repositioned itself and aims to deliver attraction to all age groups, both





genders and a host of feel good merchandise and offerings.

“Consumer behavioural patterns have been influenced in a fairly firm manner and even when the economy recovers the ground it has lost, I believe this hesitancy and search for reward on the part of the public will remain for some time.”

The Stuttafords group is made up of 13 South African stores—found in prime urban shopping malls in and around Johannesburg, Pretoria, Durban and Cape Town—plus two others in the capital cities of neighbouring Botswana and Namibia. There are no hard details on the racial mix of customers but one thing is certain, black customers are every bit as brand-conscious and aspirational as their white counterparts—and, of course, far more numerous.

“The underlying point about Stuttafords,” says Mer, “is that we are completely brand-







focused. Our customers don't want to be part of a generic mass and look to us for that something special which sets them apart. By dealing only in branded products, customers know the level of quality they will get from us and that the things they buy will represent the same quality, status, desirability, fashion forward image (where applicable) and value for money each and every season they make a purchase."

As well as bringing a clearer focus to the three departments that make up a typical Stuttafords store—clothes, cosmetics and homeware products—Mer has created a revolution in terms of management reporting. It's no exaggeration to say that historically management did not have a comprehensive understanding of the stock they were carrying. But a sizable investment in new IT equipment and systems has delivered crisp focus and means that every morning, buyers have a complete run-down on the 80,000 stock items the shops carry. Exceptional behaviour is highlighted in real time and responses can be made quickly. Through astute financial management and by clearing the shelves of 'grey beard' products, Mer has largely been able to finance the improvements in front-of-shop and behind out of operational savings, rather than calling for extra capital input from shareholders.

Also behind the scenes, Mer has been leading a concerted effort in getting beneath the skin of the market and the economy as a whole. Every bit of relevant market intelligence at the macro level has been blended with internal sales data and compared with managers' intuitive feelings.

The roll-out derived from some months of preparatory work started in November last year, in time for the

Christmas shopping period. Budgets were tempered in a large tank of reality and results of this six-month period have just been indicated to the board. "Remarkably," says Mer, "sales were within 0.25 per cent of what we calculated. On the other hand, profitability was ahead of the game, thanks to cost savings and overall efficiency improvements as well as tighter management."

When Mer joined the business, the shelves weren't exactly empty; but neither were suppliers queuing up to be represented. Now the situation is completely reversed. "My first job," he says, "was to convince suppliers—particularly the more prestigious brands—that we had the right strategy to revitalise the business. By demonstrating and leading insightful merchandise and market understandings, and also that we were going to stock coherent ranges—by that I mean products that complemented each other and encouraged extra purchases—we have crafted the right environment for their products to flourish and have been able to get the range we (and the customers) want." Despite all of these refinements and achievements there's lots more excitement to come with the "continuing and constant work in progress."

Nor does Mer waste money at head office: the command structure is lean and flat. Directors meet and talk constantly and are able to act quickly. Stuttafords needs good promotion (in fact one of the premier cosmetic houses believes no retailer in the country does it better) but rather than an advertising agency, Mer buys in expertise as and when needed. Media buying and placement remains in his hands.

Stuttafords has long moved on from being a family business; but Mer thinks that the family would be content to see the way the country's premier retailer is once again holding its head up high. [www.stuttafords.com](http://www.stuttafords.com) ■

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