



MASSMART

GROUP UPDATE

CBW adds retail convenience to wholesale stores

Over the past 15 years, a big box retail format has evolved from a typical low cost wholesale cash-and-carry model into something new. It caters to both consumers and resellers with discounts for bulk purchases, providing the differentiation between traders and consumers. The strength of the model lies in its high volume, low margin trading strategy coupled with a low cost base. CBW's new format stores are geared to compete with formal retail structures by offering value to wholesale customers and convenience to retail shoppers. These new stores are already expanding their customer bases in locations around South Africa, including the three Theba chain stores acquired in February last year.

Operator Phillip Delpport has been trading as a wholesaler and Shield member for 16 years in Ladybrand, Botshabelo and Thabanchu.

"I had always been working on my own, there was no succession plan in place for when I retire one day," he explains, "so I took on CBW as partners, firstly because it has been profitable for me, and secondly because I know the benefits of sharing their expertise. I have what you might call a big brother to run with while I'm still running the stores, and a definite buyer once I'm ready to exit."

Delpport, now a 49% shareholder in his three stores, is also reaping costing and operational benefits from the partnership. He sees an extra 1% net profit from sales as a result of his new partner's buying power. And, although he utilised accurate systems for recording and managing sales data, he'd had little time as a sole operator to analyse the numbers. "I now see monthly profit and loss numbers, which before I only saw at the end of each year. Seeing it monthly means the managers and I can react more quickly to our customers' buying patterns. It's also beneficial having access to

Masscash's risk department," adds Delpport. "Where previously it was only three managers and me, now there's a whole centre of experts open for us to consult. We now know exactly how many fire extinguishers we need and how many people on-site need to be trained in first aid. We also have access to Massmart's Impilo Wellness Programme. Our staff is slowly beginning to discover the benefits of that programme for themselves."

New opportunities

At all three of his stores, Delpport packs certain grocery lines in 3s, 6s and 12s. "Each one has a different gross profit value," he explains, "so we're encouraging more bulk purchasing. Traditionally, we've catered to the lower LSM market, but these days we're seeing more of the higher LSM customers shopping here. That shows you the pull of better pricing. We also do a lot of business with pensioners," he continues, "so there's plenty of stokvel at Christmas time. We're the wholesaler people can buy from without a membership card, where the housewife pays the same price as the shopkeeper. It's wholesale to the public," says Delpport, "that would sum it up."



Owner-run

Because Delpport had always been willing to invest in good till point and security systems, some areas of operation in his stores received little more than an audit. "In converting stores to CBW hybrid stores, Masscash was looking for a smooth, professional transition," he explains. "They checked to make sure everything was up to standard, and where it was they didn't make changes unnecessarily. That's a good thing because big chains don't always have the advantage," Delpport goes on. "As an owner running your own store, you can make important decisions quickly. Because you're on the shop floor, you're there to react. In that regard, too, I was actually quite impressed with how involved the Masscash operators are."

As far as Massmart is concerned, the new store format has exceeded all expectations and looks set to provide an exciting growth vehicle for the CBW footprint. ■