BIZCOMMUNITY

Edcon aims to get more credit for customers

Edcon, the owner of Edgars and CNA, is still in talks to find an alternative credit provider to shoppers, a move th will allow the retail group to grow sales in a tough cycle, when its rivals are curbing credit extension due to high levels of consumer debt.

By Zeenat Moorad 24 Nov 2014


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Absa bought the group's debtors book for R10bn in 2012 and has since tightened lending amid rising living costs, the effe of unsecured credit and high levels of unemployment.

This has meant fewer customers for Edcon, which has fallen behind the pack, as slicker players such as Woolworths and Cotton On claim market share.

Absa's clampdown on credit has narrowed Edcon's customer base, and a secondary provider would allow the addition of customers that Absa has rejected.

Unlisted Edcon's talks with African Bank Investments Limited (Abil) have fallen through since the microlender was placed under curatorship.

"When we started discussions with Abil, there were multiple companies that we were negotiating with and now we are bacl the table with all the parties," Edcon CE Jürgen Schreiber said Thursday, 20 November. "And we are hopeful that it will close. When we have signed up the book ... there won't be a big spike, nothing happens overnight, it takes time to build a book."

The company, which was delisted from the JSE in 2007, when private equity group Bain Capital bought the group for R25 reported a 2.9% rise in retail sales to R6.2bn for the 26 weeks to 27 September.

It is unclear who the interested parties are but an analyst who could not be named said: "I don't think this is the kind of thir Capitec would get into; it's in RCS's line of business but we're talking about the second-tier book. Absa has the first bite of the cherry ... whoever comes along has to realise they are playing second fiddle."

Cash sales at Edcon grew 8.7% in the period, while credit sales declined 3.8% and contributed 43.5% of total sales, dowr from 46.5% in the previous corresponding period.

At Edgars, retail sales rose 3%. Same-store sales were 1.7% lower. Gross margin was 38.2%, down from 38.6%, due to t elevated clearance activity.

"I just don't know if it makes sense to offer more credit to people who may not necessarily be able to afford it just to get market share ... (this) is all very well but it must be profitable market share," the analyst said.

At the group's discount division, which includes Jet and Legit, sales rose 2% and samestore sales were 1% lower. CNA's sales slipped 3.7% and same-store sales were 4.6% lower.

Edcon narrowed its loss to R1.1bn from R1.3bn a year earlier, but debt rose to R23.6bn.

Source: Business Day