

Clicks Group numbers eyed after 18-week 'let-down'

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Health and beauty retail and supply chain Clicks Group (CLS) will this week release its half-year results. Blaming a tough trading environment, the retailer turned out a less-than-stellar update earlier this year in which it said sales were up just 8.1% for the 18-week period to January.



Analysts said the figure was "disappointing".

The company has always been led by the continued strength of its core drug chain, whose popular beauty and health products attract value-conscious consumers, however on the outlook for the year, CE David Kneale said consumer spending was expected to remain muted in the current uncertain economic climate.

Retail trading conditions are expected to err on the side of moderate, as consumers look to trade-down as a result of escalating utility, food and transport costs, and a lack of job creation in Africa's biggest economy.

Selling price deflation, which is the decrease in the price of goods, averaged 0.3% during the 18-week period and put a damper on sales growth across all Clicks' businesses, affecting the group's top line.

"Comparable sales grew by 4.2% with selling price inflation of only 0.4% - this particularly impacted the pharmacy category, with deflation in prescription medicines," the company noted.

"Consumers remain cautious about how they spend their money and this was most evident in those categories where there was little product innovation," Kneale commented.

It is believed that the group has also been losing market share to fast-expanding rival Dischem.

As expected, Clicks' Musica division saw a decline in sales of 5.2%, driven by significant deflation of 6.3%, as well as the closure of 10 stores.

"Entertainment retail remains a challenge. People are choosing to access music in a different way - I think both the CD and DVD market are in long-term decline," Kneale told I-Net Bridge/BusinessLIVE.

According to Kneale, the group would not close the division as it was still "cash generative".

Meanwhile, The Body Shop, which Clicks manages under a franchise arrangement in SA, grew sales by 10.1%, benefiting from its loyalty programme and a stronger gifting range.

The Body Shop is a high-profile global brand, which markets naturally-inspired beauty products, focusing primarily on the middle to upper income groups.

The company's UPD wholesale pharmacy business which supplies the independent pharmacies operating under the Link name, increased wholesale turnover by 3.6%.

Total sales for the group, which opened its 400th store last year, increased by 4.9% to R5.3 billion.

Clicks Group's interim results are due on Thursday.

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