

Clicks shares down as deflation weighs

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Shares in health and beauty retail and supply chain Clicks Group (CLS) were down almost 3% on the back of a less-than-stellar sales update.

Blaming a tough trading environment, Clicks reported an increase in sales of just 8.1% for the 18-week period to January.

Selling price deflation, which is the decrease in the price of goods, averaged 0.3% during the period and put a damper on sales growth across all businesses in the group.

At 12:30, Clicks' shares were trading at R44.76, 2.86% lower from their close on Monday.

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

Clicks 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, Kneale said consumer spending was expected to remain muted in the current uncertain economic climate.

"Selling price inflation is anticipated to remain low and the group will face increasing cost pressures in employment, property, transport and utilities," he warned.

During the period under review, Clicks opened 13 new stores and saw an increase of 6.7% in total retail sales and 3.5% on a comparable store basis.

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

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.

"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," it said.

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

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