

How one retailer has engineered deflation in trying economic times

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"In trying economic times, retailers should still put their customers first." - Ackermans shares secrets to its sustainability...



Charl Cronje, Managing Director

Local retailers have been under severe pressure these past couple of years, and 2018 promises no respite. Weak economic growth, regulatory changes and a fluctuating rand continue to ail the industry, while inflation (anticipated to be around 5%) erodes consumers' disposable income.

Given this reality, it could be expected that many retailers would pass on a percentage – if not all – of the inflationary burden to their customers, buffering the impact to their own bottom line.

"In turbulence lies opportunity for innovation," says Charl Cronje, managing director at leading value retailer Ackermans. Within a volatile climate, Ackermans has engineered deflation in its own product offering, through absorbing the impact of macro-economic variables and passing the savings on to their customers.

Cronje believes that retailers should always prioritise the longevity of their business, above short term profit. "Be driven by your purpose first and foremost," he says.

Ackermans, which turned 100 years old in 2016, is one of the few retailers thriving in the current economy, consistently reporting excellent like-for-like revenue growth year after year. Cronje attributes this to a number of factors; not least of which is the retailer's quest to remain true to its purpose.

"There are obstacles in the sandbox which affect every retailer; the economy, political and regulatory pressures, sluggish GDP, unemployment, fluctuating currency, etc. These variables are outside of our control, so we opt to focus on those that aren't.

"Integral to this is having a clearly defined business strategy and purpose.

"Our purpose has always been to bring value to the lives of customers; as well as staff, shareholders, and the community. When factors within the macro environment take their toll, many retailers' first instinct is to hike up prices in an effort to alleviate the pressure.

"We employ the opposite approach to keep our promise by offering the best possible value and in turn, our customers trust in our integrity and remain loyal."

Ackermans also views its supplier relationships as paramount. "We engage in a collaborative process to ascertain our suppliers' challenges, as well as where we can assist them in better partnering with us. Every year we strive to secure better value from suppliers.

"Fostering these partnerships assist us in negotiating the best possible prices, which we opt not to convert into profit, but rather to pass on to our customers," says Cronje.

Another challenge – particularly for South African retailers – is the fluctuating currency, which oftentimes means that there is a vast disparity between the planned exchange rate at time of order, versus time of delivery.

“Once again – rather than conceding an in-store price escalation – we choose to rather absorb any impact as a business, so that we can pass the savings on to our customers.” This approach has resulted in a growth of customers as well as basket size and with growing customer loyalty, profitability takes care of itself!

Cronje maintains that it is impossible for a retailer to be all things to all customers: “Decide where you want to lead. Know who your customer is – and then understand how you can consistently bring the most value to their lives.”

He believes that retailers should remain true to their purpose at all times; but particularly in times of economic uncertainty when their customer is under financial pressure.

“Strategic decisions must benefit all stakeholders to ensure sustainability,” he concludes.

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