

## Spur plans to 'spur' African growth

Expansion in Africa is a "real opportunity" for the Spur Corporation and over the next three to five years, the group will open 25-30 restaurants on the rest of the continent, its chief executive Pierre Van Tonder says.

The restaurant franchise group is hoping to cash in on a burgeoning middle class, whose disposable income is rising rapidly.

The Economist Intelligence Unit predicts that by 2030, Africa's top 18 cities could have a combined spending power of \$1.3-trillion.

"Retailing is on the rise, spurred by urbanisation and the rise of the modern African consumer. As Africans move to the cities and have more disposable income, the middle class grows and demand for modern goods and services will surge," a report from the Economist Intelligence Unit says.

Spur Corporation's brands include Spur, Panarotti's, John Dory's and DoRego's chains. The group currently trades in nine countries in Africa. Rival Famous Brands operates in 15 African countries.

"African expansion is made out to sound like it's a pot of gold. But whatever you think is going to take 12 months there actually takes you 24 months. You need to be a facilitator in developing Africa, you need to be flexible, and you cannot take your corporate governance baggage out of South Africa and expect to develop in Africa," Van Tonder says.

He was speaking at the South African Council of Shopping Centres Annual Congress in Durban.

Spur Corporation recently opened its first Spur branch in Nigeria.

"The initial reception of the brand has been good. There are local market nuances that one has to adapt to - we are kind of busy in that phase at the moment, but from a turnover and consumer perspective we've had good uptake there," Van Tonder says.

He adds that the group "would like to see growth go at least five or six restaurants over the next five to seven years in Nigeria."

In the 2013 financial year, it plans to open eight new restaurants in Africa in countries such as Zambia, Kenya and Tanzania, as well as a second restaurant in Nigeria, two in Mauritius and one in the Seychelles.

Earlier this month, Spur Corporation reported a 31% increase in diluted headline earnings per share to 128c for the year to

June, as its promotion strategies, such as its Monday Night Burger and Unreal Breakfast specials, helped it to increase foot traffic, and attract consumers.

Franchise revenue in the Spur chains increased by 13.5% to R155.4m.

Van Tonder says Spur's breakfast offering had helped to keep a value proposition going in a tough economic climate where consumers were cash strapped.

"Breakfast is now 10% of our sales," he says.

Van Tonder also pinned some of Spur's success on its one-year-old loyalty card.

"When we launched this programme we thought the numbers would be around 200,000 and one is always worried about these types of cards, they're like alligators they chew away at your budget. Today we have over 1.1 million members, and are adding about 35,000 a month.

"I suppose we were successful because our loyalty programme is simple - customers who spend R1,000 and get R50 back on the card. It has really driven frequency in terms of our weekly trading patterns. And if you look at our recent results - we grew revenue at about 13.5% in Spur - we've attributed at least 3% of this to the family card," he says.

Spur Corporation wants to expand its DoRego's chain, which it acquired earlier this year for R30m. DoRegos', which sells chicken, seafood and burgers currently comprises 75 outlets aimed at the lower- and middle-income markets.

"We've been accused of letting Famous Brands kick us in terms of purchasing and been told we don't buy enough brands, but we're a fairly conservative bunch of guys at Spur and we look at all the businesses from a franchise point of view.

"Dorego's has been a very surprising and good experience for us so far - it is a growing market in South Africa and we think other casual dining sectors will grow," Van Tonder says.

The group also plans to open 11 new Spurs, as well as seven Panarottis, eight John Dory's and 10 DoRego's outlets in South Africa in the next year.

Spur Corporation, like other South African retail companies, has struggled in the UK and Australian markets as high labour costs and dampened consumer spending weigh on operations.

"The UK and the Australian development for us is in a bit of a holding pattern at the moment," Van Tonder says.

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