BIZCOMMUNITY

Edcon fashions its buying to suit local textile sector

By Ann Crotty

11 Oct 2016

Edcon, SA's largest clothing retailer that was saved by a bailout deal with creditors, plans to cut back on buying clothing from China and Bangladesh.

Edcon CEO Bernie Brookes.

Picture: Financial Times

This move, which will be welcomed by SA’s textile sector, in which employee numbers have been slashed in half during the past 20 years, is part of a revival plan by Edcon CEO Bernie Brookes, who plans to scale back on international brands in favour of in-house developed plans.

"We still buy over a third from China and India, but want to replace that with local vendors as it doesn’t have the long lead times or the rand fluctuations," Brookes said. "If we can move a few percent each year to locals, that would be a plus."

Edcon planned to buy 32% of its winter stocks and 38% of its summer stock from suppliers in the sub-Saharan African region — a number that would grow as Edcon replaced its agents.

Edcon expects to ditch 25 of its 37 international brands. "It’s also supporting those who shop with us," said Brookes.

This is one arm of a revival strategy taking shape after Edcon’s announcement that it would convert R20bn of its R26.7bn in debt into equity, easing its crushing debt-load and giving it a chance of clawing back market share that it lost to rivals since it was bought out by private equity group Bain Capital in 2007. New shareholders include Franklin Templeton, FirstRand, Barclays Capital and the Harvard Pension Fund. The plan is for Edcon to re-list on the JSE by 2020, giving many of those shareholders a chance to exit their investment.

It comes as Edcon last week revealed plans to hire more than 2,000 new staff, boosting its 30,000-person workforce 7%, while cutting prices in a bid to become more competitive.

Brookes said suppliers had run out of patience. "If we needed 10,000 of one stock, they would perhaps give us only 1,000…. We were lousy payers. They were not getting paid on time," he said.

The new pledge to work closer with its suppliers will please those down the value chain that ends at the tills of its 1,537 stores. The Southern African Clothing and Textile Workers Union (Sactwu) welcomed the move to support local suppliers, saying that Edcon's recent troubles — in which it struggled to find the cash to repay its debt, leaving little cash for any investment — had hurt domestic suppliers badly.

"The year has been a tumultuous time for Edcon's local suppliers, a lot of workers have been retrenched or put on short time," Simon Eppel, senior researcher at Sactwu, said.

"There's no doubt any challenge experienced by Edcon is felt by workers," Eppel said. The union had been collaborating with Edcon "to identify local manufacturers of particular products to help the retailer deepen its sourcing in SA", he said.

A stronger Edcon is unlikely to be an elixir for SA's ailing textile sector, but it is some respite from the slew of bad news. In 1996, the industry employed 220,800 people — a number that had fallen to less than 100,000 by the time of the global financial crisis in 2008.

A recent government presentation to the National Economic Development and Labour Council (Nedlac) paints a devastating picture of an industry decimated by imports. Since 1994, the amount of textile imports has shot up more than tenfold, with the trade deficit for the industry ballooning from R3.9bn to R36.5bn by 2015. But the tide has shifted, as the rand's weakness has made it more cost-effective to produce clothing domestically, while costs are rising in Asia. A trend to "fast fashion" has also boosted the local sector, in which six-month lead times are now unacceptable in an industry that values the ability to turn stock.

Source: Business Day