

Health and beauty wins, even in the recession

Just On Cosmetics looks for future growth

BY LINDA WILKINS

The opportunities that the health and beauty sector in South Africa presents can be seen by the success of the up and coming retail chain, Just On Cosmetics. Targeting the lower to middle income aspirational market of LSM 4-7 consumers, the 27-store company has plans to list on the JSE's AltX later this year, in order to raise capital for its planned national expansion.



The stores are light and bright, offering shoppers an enjoyable shopping experience.

From past to present

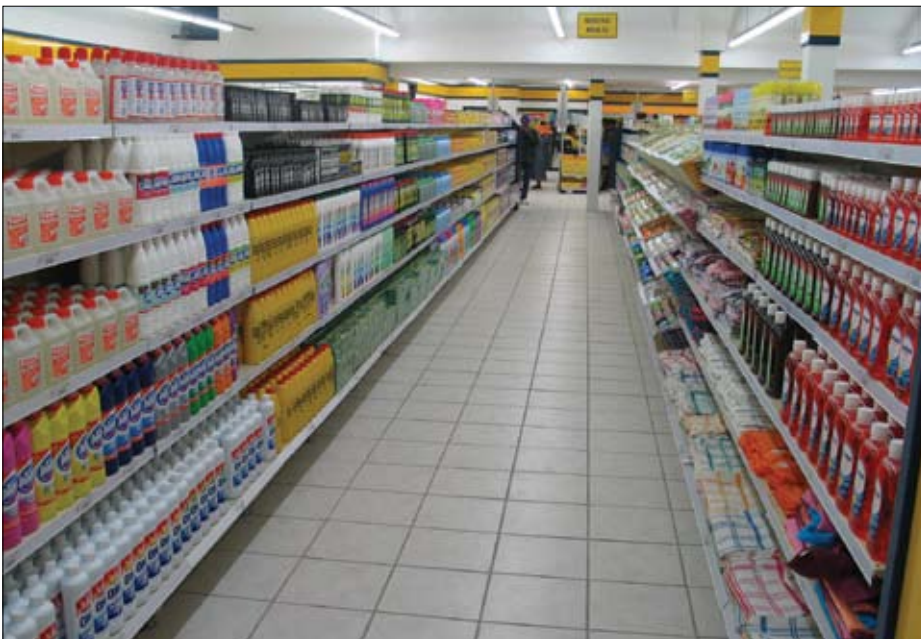
Just On Cosmetics was started in 1991 by Mike Naidoo, who opened the first store in King Williams Town. It was called 'Mike the Cosmetic King' and Naidoo, who was born into poverty, used upturned boxes to display the stock. "My till was an empty ice cream carton with cardboard divisions that were

meant to resemble a till tray!" The store was a success and Naidoo soon took over an adjoining shop. He then opened another store in Queenstown, which he called the Cosmetic Queen. This was followed by a string of stores in King Williams Town, Fort Beaufort, Port Elizabeth and East London.

As the business grew, Naidoo says he looked at a new name for the business that would be more suitable. "The locals refer to shops that are 'just on chicken' or 'just on clothing', so I decided on the name 'Just On Cosmetics'."

Most of its 27 stores are in the Eastern Cape – one of the most economically depressed areas in South Africa - and seven more new stores are planned for 2009. The group, which employs 400 people, saw a turnover for the year ending February 2009 of R296m. It services close to 14 million customers each year.

Despite the vast selection of stock, the stores still look uncluttered and very neat.



Ravi Naidoo, marketing and procurement manager and son of the original founder, says the company has an established footprint in the Eastern Cape. "With a store in the Free State and two more in KwaZulu Natal, we believe it is now time to expand into Gauteng and other provinces."

Expansion plans

To this end, Just On Cosmetics has acquired three new shareholders – Eric Parker, who was also one of the founding members of Nando's, Trevor Edwards and Stan Whitfield. They have a 10% share in the business - with the Naidoo family remaining as the major shareholder - on condition that it successfully lists as planned. Eventually they will join the board as non-executive directors. "We need to list in order to raise money to take the business nationally. There are also potential acquisitions in the form of independent cosmetic retailers that we are looking at and these will require capital," says Parker. "Considering the size of the health and beauty market in South Africa, which is estimated at R15b, it is possible for Just On Cosmetics to increase its size three-fold by opening or converting a further 100 stores in the medium-term future."

Just On Cosmetics plans on opening these stores across South Africa in the next three years and will also be looking at a possible expansion into Africa, starting with Botswana, Namibia, Angola and Nigeria. "There is no



The till points are used to merchandise various health and beauty lines, to encourage impulse sales.

African brand that caters specifically for the African beauty market," says Edwards, who says it costs at least R2,5m to launch a new Just On Cosmetics store.

According to Edwards and Whitfield, who both have extensive experience in the pharmaceutical, natural health, packaging, franchising, retailing and personal care sectors through their involvement in Modisons, Discom and Enaleni, as well as being founders of the Debonairs Pizza brand, Just On Cosmetics is an empowerment retailer that is set to meet the demands of urban and rural consumers. "We believe the group has the potential to become a major player in the health, beauty and household market. This is an interesting business that has maintained its growth despite the slowdown in the economy, generating excellent operating profit and cash flow. It is well established and able to achieve self-funded growth in excess

of 20% per annum," says Edwards.

The target market

Just On Cosmetics focuses on the niche health, beauty and household products market and caters for lower to middle income consumers with strong brand loyalty and an increasing awareness of health and beauty, but who also have strong ties to their own traditional products. This broad market sector, which is often overlooked, misunderstood and underestimated, is fuelling the growth of emerging markets all over the world – the commuters at taxi ranks, shoppers in busy city centres and those who congregate at rural village markets.

"We are an Eastern Cape brand and no matter where we open there, the stores are successful," says Naidoo. "However, when we move into new territories, it is more difficult, as we have to establish the brand with those consumers."

Parker says the company's value for money philosophy has maintained strong customer support, even during the current economic climate.

Distribution and brands

The company, which operates from its head office in Wilsonia in East London, has a centralised distribution centre with an 11 000m² warehouse on a 29 612m² site that provides more than adequate space for future expansion. They also have a fleet of ten company-owned trucks.

In terms of brands, they have developed an in-house cosmetic brand that includes

Just On Cosmetics sells a core range of health and beauty products, homeware items and household cleaners to consumers in the LSM 4-7 brackets.



a skin lightening cream, deodorants, body lotions and baby products.

Top selling items at Just On Cosmetics stores include hair care products, hair extensions, basic toiletries, baby products and alternative traditional medicines, with brands such as Sunsilk, Sofn'free, Dark & Lovely, and Revlon.

The stores also sell household cleaning products, as well as crockery items imported from India and China

Community initiatives

Mike Naidoo believes in giving back to the communities that support his business and supports numerous community projects, sports initiatives and feeding schemes. He says he believes in building wealth, not only for himself as an entrepreneur, but to play a part in helping other South Africans achieve their dream of a better future.

A new strategic direction

According to Mike Naidoo, the experience that Edwards, Whitfield and Parker bring to the company will give strategic direction and good corporate governance. "With Trevor Edwards as our new non-executive chairman and a general manager driving expansion in



Most of the group's 27 stores are situated in the Eastern Cape. Despite this being one of the most economically depressed areas in the country, Just On Cosmetics has retained a loyal customer base.

KwaZulu Natal in place, we believe Just On Cosmetics is poised to become an important player in the retail arena. We are aiming for a turnover of R1b in three years, which is

possible through acquisitions, new outlets and franchising," he says.

Sources: www.businessday.co.za
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