

Achieving local dominance pays dividends

Focus on a small geographical area with high traffic levels proves to be a successful formula for Kwik Kat.

BY GILLIAN HURST



Kwik Kat's cash & carry in down town Pretoria West.

The year-old Kwik Kat network is an entirely locally focused operation. They have chosen down town Pretoria West as their region of focus. The group's six supermarkets, cash & carry and their

distribution centre are all strategically situated within a small geographical area. The stores are all close to bus stops and taxi ranks in high traffic areas. A recent addition to the group and neighbourhood, is a Kwik Build store servicing DIY enthusiasts and

private builders.

Javed Gani, Soomaiya Gani, Mariam Karim and their father Abdul Kader Gani, who has since passed away, broke away from a larger family consortium to establish the Kwik Kat group in June 2008. Beginning with only two well-placed supermarkets, the business has expanded very quickly over the last year to become the large group that is operating today. Their turnover and growth has been substantial enough for Kwik Kat to qualify to join the Elite Star Trading buying group. A retailer or group must have a monthly turnover of at least R30 million to qualify for membership.

The strategy of the group has been to target and conquer market share in a very small area. Their strong presence makes it difficult for other stores to compete for top of mind awareness as consumers can find a Kwik Kat store wherever they go. The maximum distance between stores is eight km and there is an even shorter distance between most of them and the distribution centre.

The Kwik Kat cash & carry carries a wide range of KVI's.

Operation basics

The group currently employs 165 staff





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In-store bunting advertises a current promotion.

members in the supermarkets, cash & carry and DC, while the hardware store employs a further 65. The cash & carry has different till points for smaller purchases and bulk ones. The majority of sales are on a cash basis, giving the group excellent liquidity. The only expansion outside of their small area will be in the form of franchises. The group will be offering franchise licenses at a later stage, but even these will all have to be within Pretoria city limits.

There are many benefits of focusing on such a small area.

Area dominance

Kwik Kat has a highly visible presence in the area, giving consumers the impression of market dominance. Each store averages 1500m² of floor space and the use of posters and bunting creates a feeling of a branded retail store for the lower LSM sector shopping there.

Local DC offers many benefits

The group's 5000m² DC carries 28 000 KVI's and services over 70 independent wholesalers as well as all the Kwik Kat supermarkets and the cash & carry. As much as 50% of the distribution centre's business is from the group's own supermarkets. The pricing structure is split with different prices for traders and retailers. The ability to cut out the middleman by servicing their own stores equates to large-scale savings that can then be passed onto the consumer and allow the group to be highly competitive – in some cases with prices between seven to eight percent lower than competing stores in the area. Instead of delivering to all six supermarkets and the cash & carry, suppliers can do a single drop at the DC and for this convenience, suppliers can give as much as a 10% discount.

The distribution centre holds a weeks worth of inventory worth approximately R10 million and the weekly restock is paid for with cash, which avoids the interest

incurred when accounts are used. Because all merchandising and buying is done within the group, the associated costs of rebates and third-party merchandising are avoided.

Kwik Kat has focused on dry goods, a small selection of frozen as well as small electronics from TV's to mobile phones, selected by three buyers.

Every day low prices

Focus on such a small vicinity enables the group to keep a close eye on competing stores, their strategies and pricing structures. Gani says that the group's objective is to keep prices as low as possible and for the most part, they do manage to undercut the competition and offer everyday real savings.

Short delivery distances

Delivery of purchases from the DC to its own stores using Kwik Kat's fleet of trucks is another way the group saves costs. The fleet consists of eight 8 ton trucks and four 4 ton trucks which are used mostly for in-house deliveries. Most traders collect their own purchases.

The Zimbabwean link

The group exports to Zimbabwe on a regular basis. The Zimbabwean retail business is booming after a period of extreme shortages and currency problems. At present there are no plans to extend their export business to other countries as the Zimbabwean market has proved to be profitable enough for now.

Strong focus on marketing

Marketing is a big part of Kwik Kat's strategy. Special promotions are held twice a month with prices cut significantly. They also do broadsheet advertising and employ a company to do door-to-door drops for maximum exposure. Within the stores themselves, there is a great deal of signage

advertising promotions and creating a sense of being part of something exciting. Unlike many stores that cater for the lower LSM's, Kwik Kat does a large amount of marketing and it pays off.

Passing on substantial savings

With all its operations situated in such close quarters, Kwik Kat saves in several key areas of their supply chain from delivery to merchandising, which they then pass onto the consumer. They have established dominance and a high profile in a very busy part of Pretoria with their rapid expansion and their ability to offer large savings. Gani says the focus of the group is to consolidate upon their successes and remain focused on providing discounts and every day low prices to the community they serve.



Departmental signage at the group's cash & carry store.



A birds eye view of the cash & carry store floor.



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