

Spur's aggressive promotion strategies pay dividends

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Spur Corporation's aggressive promotion strategies like its Monday Night Burger and Unreal Breakfast specials have helped it to increase foot traffic and attract consumers across its local and international operations, chief executive, Pierre van Tonder said on Thursday, 6 September 2012.

This helped significantly boost the company's headline earnings per share and total dividend to its shareholders.

The franchise restaurant group whose brands include Spur, Panarottis and John Dory's reported a 31% increase in diluted headline earnings per share to 128c for the year to June. Its total dividend was increased by 32% to 87c per share.

"In this economic climate, consumers are cash-strapped so you have to give them value and quality propositions if you want them to come into your restaurants," Van Tonder said.

Revenue rose by 24.8% to R503.4m, as the group benefited from the inclusion of the DoRego's brand which it acquired for R30m to target the lower to middle income market.

Franchise revenue in Spur increased by 13.5% to R155.4m, Panarottis by 12.4% to R13m and John Dory's by 13.4% to R11.1m. Franchise revenue in DoRego's amounted to R2.5m for the four months to June.

Manufacturing and distribution revenue rose by 31.0% to R142.8m, the group said.

During the period under review the company opened its first Spur chain in Nigeria.

With Africa's consumer spending forecast to hit \$1.4-trillion in 2020, market players were hoping to cash in on a burgeoning middle class, whose disposable income was rising rapidly.

"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 said.

He added that the group "would like to see growth go up to at least 5-6 restaurants over the next 5-7 years in Nigeria."

Rival Famous Brands, whose portfolio includes Steers, Wimpy and Debonairs Pizza already operates in 15 African countries.

Famous Brands CEO Kevin Hedderwick said the group's strategy with regards to Africa, is to "think deeper rather than go wider."

"We want to focus on markets where we currently have representation. We'll probably end the [financial] year adding about 45 new restaurants in Africa," Mr Hedderwick said in May.

Looking ahead, Van Tonder said the retail trading environment is expected to remain challenging.

"South African consumers are going to be hard hit with the petrol price increases and that will cascade into other areas of the economy so I think we're all in for a tough twelve months. By offering quality and good value across our brands we will remain competitive in the eat-out market," he said.

The group plans to open eleven 11 new Spur chains as well as seven Panarottis, eight John Dory's and ten 10 DoRego's outlets in SA in the 2013 financial year. Seven new stores are planned to open in the rest of Africa, as well as two in Mauritius and one in the Seychelles.

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