

RETAIL BRIGHT LIGHT

Super A-Mart banks on WA

■ Rachel Donkin

Times are tough for the nation's department stores, but there are a few pockets of light among the gloom that has shrouded the retail sector over the past year.

Super A-Mart — the country's biggest discount furniture chain — is banking on sales to top \$470 million in 2011-12, up from \$402 million for the year to June 30.

The group is yet to file its 2010-11 accounts but the previous year's documents show it generated earnings before interest, tax, depreciation and amortisation of \$40.5 million in 2009-10.

The group, bought by private equity firm Ironbridge for about \$500 million in 2006, has 30 stores across Australia after opening its fourth WA store in Midland last week, and is targeting 80 nationwide.

The Midland store was scheduled to open in March but was hit with fit-out delays. But the setbacks have not deterred the group from ploughing ahead with plans to open a fifth WA store next year, and is scouting for locations in Joondalup and Bunbury.

"Perth is our best-performing market — we're doing double-digit comparable sales gains there," A-Mart chief executive Eddie MacDonald said.

"WA is a key part of our growth strategy — its economy is strong, population growth continues and we've established a strong connection with Perth shoppers over the past three years. I think we're filling a void that wasn't there before."

Super A-Mart is effectively a mirror image of the low-cost business model adopted by successful electronics retailer JB Hi-Fi: warehouse-style stores, high levels of floor stock, lower margins, in-your-face advertising and low prices.

It sources most of its product from China, helping to keep overheads about 15 per cent lower — although its earnings margins are up to 20 per cent lower at 11 per cent — than its competitors.

Mr MacDonald said the group had enjoyed single-digit same-store sales growth from all States since January, except WA where comparable-store growth was north of 10 per cent.

The sentiment is backed by the Australian Bureau of Statistics' retail trade figures, which confirm sales of furniture, floor coverings and textiles bettered those of most rival categories for the majority of 2011 through to July.

Mr MacDonald tipped a wave of consolidation among furniture retailers in WA in the coming years, noting it was a more fragmented market than most other States.



Positive result: Super A-Mart's WA stores are performing well.