



BULLISH: Eric Vergnes wants to open more Montblanc stores in Africa because they are positive about the continent's growth trajectory.

PICTURE: SIMONE KLEY

Feeding a need to indulge

Despite tough economic conditions, people are still buying luxury goods

KHAYA KOKO

ERIC Vergnes of the global luxury goods retailer Montblanc remains bullish about his company's investment strategy in South Africa despite the country's sluggish retail sales growth and currency depreciation.

Vergnes is the president of Montblanc's Africa, Middle East and Indian subcontinent region. He told *African Independent* that they still saw positive indicators in South Africa even though trading conditions were strained.

Retail sales grew by a dismal 0.8 percent year on year in July, following a downwardly revised 1.4 percent growth in June according to Statistics SA.

"The situation right now is complicated in South Africa because of the overall retail atmosphere which is not necessarily

very positive.

"But this being said, we are fortunate enough to observe, so far, an opposite trend to the market – meaning we are growing by double-digit (percentages).

"It seems that, in this complicated period, the positioning of our (brand) is also a great help," he said, refusing to be drawn into the specifics of Montblanc's exact sales growth rates.

South Africa's currency, the rand, has depreciated significantly over the past 12 months, reaching an all-time low of over R17.90 to the dollar earlier this year; and Vergnes detailed how this depreciation had impacted on their balance sheet in the country because they are an import-intensive retailer – importing luxury goods such as Montblanc pens and watches which are manufactured in Europe.

The depreciation had left Montblanc "no other choice", said

Vergnes, but to pass their increased costs on to their consumers.

"We have increased our prices twice over the past 12 months. And this is something that, unfortunately, we have had to do simply because we don't want to create discrepancies in our global prices... We have to make sure that our prices are no different from one country to another," Vergnes explained, adding that this had not affected sales too much as "even in difficult situations, people still want to indulge".

Vergnes was speaking to *African Independent* ahead of the opening of Montblanc's new "neo-concept" boutique in Joburg this week – the first such boutique to be opened in the markets Vergnes is in charge of.

He said it was important to launch this boutique in South Africa first so that the country's stores could be on par with international standards.

"South Africa is a key market for us. It's a market where we want to accelerate our development. It is a market where we are definitely investing, and we need to ensure that the retail experience in South Africa is on par with what is happening in other markets – particularly in Europe and the Middle East," he explained.

Vergnes concluded by saying that they were "seriously investigating" opening more stores across the continent, to add to the four which they had in South Africa, because they were positive about Africa's growth trajectory.

"In the medium term, the indicators (for Africa) are positive. There is a development of a middle class in many African markets," he said.

"There is creation of value also in many markets, and this is why it is important to accelerate our development."