

A man in a blue suit and patterned shirt stands on a city street, smiling. The background shows a building and a blue trash can.

BUSINESS REPORT

Date: **20th May 2024**

Business Reference: **35685**

About the Business:

Well-established liquor store

The liquor store is well priced and positioned for sales.

Well-established liquor store



Sector: **Retail**

Asking Price:

R 1,680,000

Monthly Profit:

R 90,359

Asset Value:

R 75,000

Stock Value:

R 220,000

Yearly Net Profit :

R 1,084,308



Business Report

Fully describe the business's activities?

- Retail Liquor Store

How does the business operate on a daily basis?

- Shabees sales during the mornings and early afternoons
- Main foot traffic towards the end of the day (last three hours) from customers traveling between Midrand/Pretoria and Krugersdorp.
- Fridays and Saturdays are the biggest volume days, especially during peak seasons.
- Weekend traffic from customers attending functions at the various venues in the area

What Advertising/Marketing is carried out?

- The business is listed under google business and is locatable on Google maps. If users are in the area and search for a liquor store on google maps the store will be listed as an option.

What competition exists?

- Ultra Liquors Rietfontein (Wholesalers), situated about 3.6km away. Being in the wholesale game they are very competitive on pricing, however their store is somewhat inconveniently located off the M5, difficult to access and exit due to traffic and a blind rise and is often too busy (with wholesale type clients) to cater to the convenience client which our business focuses on. We also attract a substantial amount (+-20) of the local tavern owners that prefer to stock up here due to convenience and service.

How could the profitability of the business be improved?

- Increasing sales revenue to the whole quart/shabees/tavern market.
- leveraging deals/specials from suppliers by buying larger quantities.
- Specials and advertising (physical and online)

Give a breakdown of staff/ functions/ length of service?

- Till lady (full time): 3 years - Stock counts, ordering, managing of staff in terms of managing the floor, shelves, and fridges. SA ID
- Shop Floor 1 (part-time): on weekends and lunchtime - +10 years. SA ID
- Shop Floor 2 (Full time). Malawian ID
- Shop Floor 3 (part-time). SA ID.

Do any have management potential?

- Yes, the till lady. The till lady has had experience in managing a much smaller liquor store in the past. She has displayed good potential in managing staff, and when given the space and correct guidance she takes full initiative to get things done. During these periods she is well respected by the other staff members and has no issue in telling others what and how to do things. She is confident with the customers and knows how to handle herself within the stores and keep control of the environment. She does not take any nonsense from rowdy customers which is especially important in this type of setting. She can perform stocktaking and ordering duties with some guidance on what quantities to order. She has managed the store on her own on multiple occasions.

How involved is the Owner in running the business?

- The owner or the owner's son manages the business on a daily basis

When does the current lease end?

- There is no lease as the family owns the building and land, however, the Landlord will definitely put a lease together for the new tenant.

What are the trading hours?

10:00am to 6PM (Mon to Thurs), 10am to 6:30PM (Fri), 10am to 5:30PM (Sat) 10am to 2PM (Sun)

What are the main assets of the business?

- Walk-in fridge + compressor
- Store fridges
- Ice chest freezer
- 2xPOS till points + Backend office Laptop
- Generator
- UPS

Strengths?

- Convenience and location: Excellently located on Drift Boulevard with easy access on and off the road. Ample parking space for customers both in front of the store and along the side of the store in the main parking lot. Customers can park their cars and be in the store in less than 20 seconds.
- Daily consistent foot traffic/regulars: the consistent flow of daily customers traveling to and from work carry the business and help secure our baseline revenue upon which multiple opportunities can be built. If the buyer simply walked into the business and did absolutely nothing the daily customer flow, coupled with the convenient location, will ensure the business is sustainable.
- Proximity to function venues and hotels/lodges in the Muldersdrift Area and surrounds: High-value purchases from clientele attending work/corporate/wedding/etc functions in the area during week and weekends and especially during "function" seasons which the business can leverage. Traffic from weekend holidaymakers to various lodges and hotels.
- Staff friendliness and customer knowledge: staff is trained to be polite, assisting customers inside and outside the store (i.e. taking the bought product to car/helping customer with returning empties from the car). The staff knows the customer base well. For our regulars stock is often waiting on the counter as they walk into the store.
- An established business that has withstood multiple economic downturns, covid (government lockdowns), and competition from liquor stores in Cradle Stone mall.
- A well-known business that has been serving the community for 22 years.
- Buyer will be acquiring the business during one of the best performing years with the best performing December ever. The business has made a complete recovery since government lockdowns.

Weaknesses?

- Supplier/stock issues: General industry-wide problem since the government's upheaval of our economy during covid. Many large suppliers (SAB, Distel, Heineken) pulled back massive capital investments in upgrading of manufacturing/maltings/distribution, etc which the effect of is still felt today. This has resulted in continued out-of-stock from suppliers. However, the situation is noticeably improving as many investments are starting to come online.
- Supplier wholesale preference over retail: Due to the above issue, the wholesalers are prioritized over retail forcing the retailer in some instances to purchase from the wholesaler instead which has a significant impact (3%) on profitability.
- A buyer with big pull/influence with the main suppliers (Heineken/SAB/Distel) who are able to secure large quantity orders will position himself well to transition the business into a wholesale (if he so desired) given the massive informal market (quarts sales) and upcoming area growth.
- Store size: the store is relatively small although space is adequately used. There is however an opportunity to expand the store into the courtyard as well as a willing Landlord who will support such endeavors.

Opportunities?

- Area population growth and development: The Muldersdrift area and surrounds are planned to grow massively in the next 5 to 10 years with large housing and infrastructure developments planned.
- Wholesale market: The tavern and Shabeen market is massive in the area with many informal settlements located in close proximity to the business. At the moment the business has a database of 20 Tavern/small Shabeen owners who purchase between 5 to 20 cases per week. Due to stock constraints (mentioned above), it has been difficult to scale out this part of the operation. However, as suppliers bring more capacity online, the informal market (which is growing) will be waiting. The business finds itself in an interesting position where supply and not demand are choking the business.
- Wholesale market (cont.): At the moment taverns on the M5 side of Muldersdrift are supplied by Ultra Liquors on the M5. However, there is an entirely untapped market on the N14 side of Muldersdrift that has to travel past our business to get to Ultra. Secondly, the business is nearer and more conveniently located than Ultra to a large informal settlement called "Video". Video forms a large part of Ultra's customer base which the business would be able to tap into.
- Wholesale (cont.): Once one has established wholesale in the informal market and has built up adequate cash on hand and consistency of stock they will be able to transition to supplying the formal market (restaurants and venues) in the surrounding area. As a start, the Drift Inn Hotel across the road can be the first customer.
- Online marketing: Premium whiskey, gin, vodka, and wine marketed to upper market estates in the area (Avianto, Pine Haven, etc.). Marketing (google search) to people in the area looking for liquor (functions, holidaymakers)
- Property and Landlord: Ample space on the property to expand, with a willing Landlord who is looking for long-term tenants of the entrepreneurial type. The Landlord wants to bring in greater rental revenues by working with tenants to grow their business by utilizing the space on the property.
- In-store expansion possible into the courtyard at the back
- Signage: "You can never have enough signage". Opportunity to erect a large sign on N14. The property owner consulted and is willing for the business to put the sign on his property.
- Obtain a Licence to distribute liquor.

Threats?

- OK Mini Market at the Puma Garage has applied for a Grocers Licence (licence to sell wine). This is currently in appeal which we have formally objected to. Awaiting feedback from the Liquor Board. Wine forms a small percentage of our trade (+- 3%) and through Liquor City we have access to 5% - 30% discounts on a wide range of Wine products which can be leveraged in competition if the Grocers Licence is approved. Many customers often purchase wine along with some other product which the OK Mini Market will not be able to provide.

What is the reason for the sale?

The owner of the business, at the age of 74, is ready to retire. The owner's son who manages the store from time to time is planning on leaving the country in the near future.