

Challenges and opportunities in the informal market

By Erin Steenhoff-Sneathage

The South African logistics and supply chain industry faces many challenges, from rising petrol prices to growing concerns for driver and product safety, and complete line of sight. Despite these challenges, there are still numerous opportunities for the industry, especially in the informal or main market according to MACmobile Commercial Director Andrew Dawson.

“**T**he main market offers substantial growth; however, it is not without its challenges,”

Dawson points out. One of the main challenges is line of sight of the complete ecosystem, from manufacturing all the way down to the distributor and finally the retailer. Historically, manufacturers and distributors are not always aware of where their products end up in the main market, what the rate of sales is, who the end customer is and what the last mile looks like, due to the sheer size and the informal nature of the main market.

“These all have significant implications for business from a manufacturing perspective because if you have got line of sight, you can better gauge rate of sales, rate of returns and trend adoption in this industry, it makes for just in time manufacturing and that is really what where a large chunk of the cost savings lie,” highlights Dawson.

The second challenge according to Dawson is the ability to create a clean invoice in the last mile of distribution to the retailer. There are many factors that impact invoicing, such as the main market retailer not having enough cash to pay for an order or adjusting his order when it arrives leading distributors having to create credit notes. “A lot of profit is tied up in admin around managing the last mile retailer, as often what is ordered and what

is actually delivered is different, becoming a cost intensive aspect of the business,” illustrates Dawson. A third major challenge is the lack of analytics performed on data sets created in supply chain and logistics operations in the main market. “The data sets are there, and often the data infrastructure is there, it is just not always being used to its full potential by supply chain companies, through no fault of their own,” emphasises Dawson. He goes on to say that the full analysis of data sets from the main market can have a positive impact on auto ordering, where manufacturers are able to better predict what is and will be consumed and have better alignment between their primary and secondary distributors.

Primary distribution is the order generated by the distributor or wholesaler to the manufacturer, while secondary distribution is from the wholesaler or distributor down to the retail sector. “If manufacturers can align the pull of the end consumer in the main market the primary leg, they will be able to build a very functional and very efficient ecosystem,” maintains Dawson. This can mainly be done by having an auto ordering algorithm that sits at the distributor level that can match consumer consumption to manufacturing timelines so that they are able to have just in time manufacturing and delivering, which can help reduce the amount inefficiencies and costs in the supply chain channel.

Main market opportunities

Despite these challenges, Dawson is adamant that the main market is a great opportunity for supply chain and logistics companies. “Across Africa, the informal sector is an untapped economic powerhouse, purely from a stock volume perspective,” he claims. Another aspect to look at is the percentage if the population that live in main market areas, indicating significant growth potential. “It is a very specialised market to try and distribute to,” explains Dawson, “with unique geographical challenge such as the need for smaller vehicles and a lack of storage space leading to a great amount of deliveries per week.”

MACmobile runs the sales, warehouse management and distribution platform for several blue-chip manufacturers servicing the main market across Africa. They have built a platform called FIELDForce that allows for Wholesalers, Distributors and warehouses to receive stock, manage their stock and manage that entire sales leg, including Van sales, and the subsequent cash collection and settlement in the ‘main market’.

The main market is one that MACmobile understands due to their years of experience in the sector, and it is one that they are extremely passionate about. “The main market is the only area of consumption that is continually growing, and if companies can make use of the right sectors and the right technology for cost effective distribution there is significant potential for growth,” Dawson concludes.