

## How we can build a better supply chain in Africa

It's well known in the logistics and supply chain game that the last mile of a shipment's journey is inevitably the most expensive - possibly accounting for over 50% of total delivery costs, according to a 2016 report by McKinsey<sup>[1]</sup>.

By [Dustin Homer](#) 10 May 2018



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Now imagine that last mile is in Africa.

It may very well be a pot-holed dirt road, set in the middle of one of the continent's many informal, low-income areas, where even a ballpark guesstimate of consumer demand is incredibly hard to come by.

### Lack of transparency

Many companies are already pushing their products into these emerging markets, yet most experience expensive blind spots in understanding exactly who they are reaching and where their markets lie. This lack of transparency can see distribution operations sink to new lows when it comes to supply chain inefficiency.

While companies expend much time, energy, and resources in finding better ways to reduce excess inventory and maintain desirable stock turnover, understanding and managing demand remains a problem.

*“ Refining the supply chain to its most effective form is an ongoing challenge for logistics practitioners, and in today's hyper-competitive and globalised business landscape, finding a way to do so will likely mean the difference between success and failure for many businesses. ”*

And yet, despite these costly frustrations, there's hardly a global business (especially in the retail and FMC sectors) that doesn't have at least one eye cautiously trained on the continent and its fast-rising potential.



Africa already has more cities of over one million people than North America does, and despite widespread poverty, spending power on the continent is in the midst of a rapid rise that can't be ignored by the international business community.

Africa is home to 1.1 billion people and will account for one-fifth of the world's population by 2025.

Critically, more and more citizens are entering the consumer class, with tens of millions only recently emerging from poverty and flexing their discretionary income for the first time.

### **But how do the Unilevers and Procter and Gambles of this world mitigate the challenge of logistics in Africa?**

How do they assess the size of a certain catchment area, which products are in high demand, and how many people are willing to pay? How do they ensure that just the right amount of that product is delivered to the right communities, at the right times, and at the right prices, to make a move into Africa worth their while?

It all comes down to having as much consumer and retailer data as possible – and that's another area where most of Africa presents a tangled conundrum.

With the exception of South Africa (whose citizens purchase around 75% of their groceries from supermarkets), most retail throughout the continent is informal. Trading occurs at kiosks and in community markets with precious little computing power to gather the point-of-sale and stock-control information that is so essential to an efficient supply chain. Our experience working on the continent has taught us that it is a combination of traditional and alternate data collection that creates a complete consumer picture.



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What can you tell about a population by analysing a photo taken from space? If you know what you're looking for, plenty. Satellite imagery is one of the data forms that has the most to offer regarding informal areas. Levels of night-time illumination, road access, traffic patterns, building density, and even the materials used to roof the houses in a particular area, can all form valuable pieces of the consumer puzzle – and help

businesses more accurately paint a picture of their potential customers.

Viewed in combination with traditional household survey methods, as well as some digital input in the form of access to mobile phones and online spending behaviours, the picture becomes clearer still.

Fed into machine learning models as a series of data layers, previously unnoticed associations, patterns and trends begin to emerge, all of which can be used to ensure speed, accuracy and efficient use of resource along the entire length of a globalised supply chain.

This is especially useful as both traditional and digital retail continue to boom on the continent.



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Africa's historic legacy of limited or incomplete consumer data has often tempted organisations into making do with market research based only on the inhabitants of its largest cities, but a more granular view is needed if markets are to be carved up accurately – and to maximum profit for international businesses.

Disparate languages and cultures, poor infrastructure, widespread inequality, and a rapidly expanding middle class mean that data needs to be sharp and refined down to the square kilometre if the supply chain is ever to be fully optimised. All businesses need to do so is to know where to look – and what to look out for.

[1] [Parcel delivery: The future of last mile](#)

#### ABOUT THE AUTHOR

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