

# What's keeping logistics CEO's awake at night?

Logistics businesses in South Africa continue to show resilience despite the prevailing economic headwinds.



Zak Sivalingum, FNB Gauteng East Regional Head

Zak Sivalingum, FNB Gauteng East Regional Head, says the logistics industry plays an integral role in the growth of the economy through the facilitation of international and domestic trade. Businesses in this industry continue to defy odds by constantly identifying growth opportunities while overcoming challenging economic conditions in a highly competitive market.

Following ongoing dialogue with some of the leading businesses in the logistics industry, Sivalingum highlights some of the key issues that are keeping CEO's awake at night:

- **Slow economic growth** – low economic growth negatively impacts profit margins in logistics due to several sectors being depressed, leading to lower trade activity.

- **Transport costs** – due to infrastructure challenges, the heavy reliance on road transport increases the cost of moving goods. Furthermore, fuel price hikes, toll fees and maintenance costs add a further burden on the bottom line of logistics businesses.
- **Service delivery** – efficiencies and reducing costs in the entire supply chain continues to gain prominence as businesses strive to provide their customers with the best possible service and solutions possible.
- **Exchange rate volatility** - establishing dynamic pricing models for products to account for exchange rate fluctuations continues to be a challenge. This prevents companies from adequately controlling the cost of goods and margins on international projects. SMEs are already exposed to many risks; therefore, financial market volatility impairs their ability to grow and become sustainable.
- **Innovation** – technology-based innovation continues to play a critical role in revolutionising the supply chain world. These innovations range from driver behaviour monitoring telematics to predictive analytics that use a combination of artificial intelligence, complex data sets and historical information to predict future events.
- **Managing cash flow** – having positive cash flow is crucial for the survival of logistics businesses in a tough economic environment. One of the biggest challenges is the time frame in which customers settle invoices and the rate in which the business is able to process services while maintaining business operations. Businesses with limited working capital will find it very difficult to survive in the future.
- **Cyber crime** – globally, the advent of cybercrime is increasingly becoming a concern for the logistics and transport sector. Although technology -ed innovation is a huge driving force for growth, it also presents a risk from fraudsters who leverage loopholes to gain access to sensitive information about the activities of a business or businesses in a supply chain. CEOs are now realising the importance of incorporating cyber risk as part of their risk management plans.

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