

Adapting a road-freight business for survival

Last month the South African Association of Freight Forwarders estimated that local importers were facing roughly R1.4bn in storage and demurrage costs accumulated during level-5 lockdown, with more than 20,000 containers piling up in storage facilities. Reports emerged of queues of up to 13 kilometres along the chrome corridor between Steelpoort and Maputo, with as many as 370 trucks lined up and waiting to cross the South African border.



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South African authorities were processing the backlog in increments of only four kilometres per day.

Marcus Ellappan, director of road freight for Bidvest International Logistics (BIL), says: "Road freight in this country is on its knees.

"There's a regional imbalance of freight due to the decline in the economy, which means hauliers are battling to generate revenue, let alone operate profitably, especially on return loads. The protests by truck drivers against the hiring of foreign nationals are impacting on utilisation of assets, which also impacts negatively on profitability. Some hauliers are now downsizing fleets as trucks stand idle, and with that jobs are being lost."

In addition, says Ellappan: "The costs of complying with Covid-19 protocols have negatively impacted the costs of doing business, and often these costs aren't recoverable."

Pressured freight-forwarding market

This comes on top of an increasing number of personal protective equipment (PPE) road-transport consignments being hijacked, or becoming a hot commodity for thieves at airports. In March this year, the Transport Asset Protection Association said that South Africa was the top spot in 2019 for high-value cargo theft (ahead of the Netherlands and the United Kingdom), with a staggering figure of R367m in cargo stolen, a 195% increase on the year before. And, says Ellappan: "There's an increasing risk of injury to drivers."

"With human capital costs varying between 30 and 40%, many industry players are reducing staff headcounts," says Ellappan. "But they're also reducing the sizes of their truck fleets so that they can inject cash back into their businesses to stay alive." Companies are also leveraging technology more, he says, to simplify how they do business and save on costs.

Adaptability as a means of survival, let alone a point of competitive advantage, isn't something new for business. As early as July 2011, a report by the Harvard Business Review (HBR) highlighted the increasing need for organisations to adapt, especially in an age of risk and instability. And in November last year the HBR again published a piece on why agility and innovation as means of adapting have become so important.

This is something that BIL understands and fearlessly implements. "Our business continuity plans have been adjusted to enable us to operate through these turbulent times," says Ellappan, "and technology has enabled us to operate more responsively while maintaining a good degree of flexibility."

With plans in place to announce an adjusted road-freight service offering, Ellappan believes BIL's road-freight division will be ideally positioned to offer faster and stronger supply-chain support, especially where customers' cost of doing business is concerned. "Our transport-management system is being continually developed, so later this year we'll be able to offer clients a whole basket of new benefits," he says.

"The product driver, combined with the right behaviour, and taking into consideration utmost compliance and excellent customer service, are elements that will form part of our new and adjusted offering.

Business continuity, positioning

Vehicle-tracking and fleet-management business Ctrack's Freight and Transport Index for June reflected a 21% decline in monthly freight volumes compared to the same month a year ago, the worst since records began, with the biggest volume drops shifting from local land-based to international transport, with drops of 44,5% (air), 28% (sea), 21% (freight), and 19% (road). The good news was that road-freight volumes increased in May compared to April, as the country shifted from lockdown level 5 to 4.

"We're all in this together, and we empathise with what our industry peers are going through," Ellappan says. He offers fundamentals to ensure a business stays afloat in the road-freight market in South Africa. First, staff need to be continually trained so that they become multi-skilled and part of a model that can be "flexed" during varying economic conditions, he believes.

Strict safety and compliance measures need to be continually upheld – and not only during times of crisis – so that employers can mitigate some of the immediate impacts a business may go through during the early stages of a global/national crisis.

Operating a leaner business model, and being in a position to add on rather than reduce, is something players should be looking at, Ellappan says. And continually developing technology to simplify processes and eliminate wastage is another key area.

And the golden thread, he believes, is communication. "Communicate with all employees, as often as possible, so that they feel they're being involved in the business's decision-making and development." Many business strategies fail at execution stage because of a lack of communication," he says.

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