

DIGILOGIC INSIGHTS #4: Bridging the gap

The DIGILOGIC team talks to Stacy Nyathi, Chief Business Developer, Thumeza Inc.

Thumeza partners with logistics operators to overcome the frustrations of late payment terms. **Stacy Nyathi**, Chief Business Developer, explains how they pivoted from aggregator to financier.

The start-up solution

Thumeza is a fintech (financial technology) company that provides access to working capital for the logistics sector in Africa. Thumeza started its business life as a logistics aggregator, yet, as Stacy Nyathi, Chief Business Developer, explains: “Despite very good contracts, we still experienced late payment terms.” This meant it was a challenge for Thumeza to pay their drivers “six or even 30 days after delivery of the goods.” As no one was then willing to take a chance and give the company working capital to bridge the gap between job completion and client payment, Thumeza had to close its doors to their small-scale transporters. The team stood back, re-examined the company’s strategy, and researched the market in depth. They were shocked to discover that logistics companies across Africa faced late-payment issues from even their biggest clients.

It was then that Thumeza realised that they could become part of the solution. In effect, as Nyathi explains, that meant partnering with aggregators to fill the financial gap so that smaller operators could be paid promptly after a job’s completion.

The development challenges

Thumeza is in a unique position to understand the frustrations and challenges of late payment clauses because of its own experience as an aggregator. Nyathi sums up Thumeza’s approach: “We like to say that our solutions are empathetic because we’re also saying, ‘we have been you in a previous life.’”

Thumeza appreciated potential complexity from the start. While many companies are very tech savvy many, for all kinds of reasons, are not accessing any technology. Many smaller operators still log their logistics business transactions using pen and paper, or they might not have a formal bank account with accompanying statements and records, all of which make it harder for potential financiers to verify credit worthiness. Thumeza quickly recognised that operational data for the ‘pen and paper’ companies would have to come from other sources, such as written contracts, or evidence of regular work over a period of time for a particular client.

In addition, the logistics of a consignment can be extremely complex. For example, an aggregator might have a contract with a major multi-national business that involves working with 300 different transporters of varying sizes who, according to the contract terms, will be paid after 60 days. In this example, Thumeza can help bridge the finance gap until the aggregator is paid, thus making sure in the meantime that the 300 smaller-scale operators, such as drivers with one to three trucks, are paid on completion, rather than having to wait for two months which is often unsustainable for a small enterprise.

Thumeza’s emphasis on the importance of data collection means their customers can access a personalised online dashboard, which among other features, enables them to track the movement of a specific consignment. However, while technology is core to Thumeza’s service, it is not, as Nyathi explains, “going to be a one-size-fits-all solution for the pen and paper operators so we also provide a lot of offline support for them.” Thumeza helps this key



customer group store their information in organised and traceable data which can then be used as a point of reference with, for example, future credit scoring. The focus is on offering user-friendly support that builds valuable data for the longer term. As Nyathi says: “These pen and paper businesses had never been documented before, so we can’t help solve their problems if we don’t even know who they are, or what their actual challenges are.”

Another under-examined aspect of the logistics industry, Nyathi points out, is insurance cover. Thumeza is now working with different insurance providers to help operators get cover for anything from fuel or tyre costs to paying customs duties. “These challenges are not supposed to stop you from operating. We can ensure that operators have the working capital to cover goods while they are in transit.”

Thumeza welcomes the DIGILOGIC initiative because it means that much more data about logistics across Africa is being gathered and shared as the industry changes.

Looking to the future

Nyathi appreciates that the major challenges the logistics industry faces impact on all operators, regardless of their size. In 2020, the logistics industry in Africa was worth over US\$340bn and if the industry is to continue its predicted rapid post-pandemic growth, it requires a major investment in infrastructure that can transform routes across Africa. Nyathi cites the 923-metre Kazungula Bridge that crosses the Zambezi river, as being a transformative project. Connecting Botswana and Zambia, while also benefitting traffic from Namibia and Zimbabwe, the bridge relieves the days-long queues for the ferry service across the river while easing congestion along a key southern Africa trade route.

It is important to tackle the fundamentals, Nyathi says, before embarking on any major project, including that functioning border posts will be in place; while consulting to check that any new network makes sense for all potential users, particularly truck drivers. Indeed, a shortage of truck drivers is another big industry challenge, especially in Southern Africa, as many drivers have left the region to find work where there is arguably greater security in terms of regular payment systems. “Drivers, especially those with one to three trucks, need a friendly and enabling environment to build a sustainable business.” Nyathi predicts there will be an increasing demand for truck drivers with the growth in intra-continental trade arising from the signing of the African Continental Free Trade Area. One of the key elements of the agreement is that there is a broader enabling environment for logistics to thrive through cutting red tape and simplifying customs procedures at borders.

Nyathi reckons that there will be a more rapid growth in business-to-business services rather than business-to-consumers, partly because of the rural-urban divide across much of Africa. “It’s easier to serve a business because it’s going to give you guaranteed returns which does leave the question about the future of business to consumer services.” Improving and upgrading the road infrastructure will help lessen the rural-urban divide because last-mile delivery companies will be able to reach new areas that, typically, larger companies do not even try to access at present. However, as Nyathi pinpoints: “Logistics alone can’t fix all these issues, there needs to be a collective effort.”

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