

DIGILOGIC Insights #6: Why Africa should become a net exporter

The DIGILOGIC team talks to Chuka Alumona, Director - Gulf, Levant and Global Expansion Markets' Supply Network Operations.

Chuka Alumona talks about resilient supply chains, 'Uberization' and the future of logistics in Africa.

A snapshot of the challenges facing logistics in Africa

Chuka Alumona has over 15 years' experience in logistics and manufacturing with consumer goods multinational, Procter & Gamble. He understands the many challenges to the logistics sector that can suddenly arise, but the recent Covid pandemic was: "on a different scale. Companies that didn't already have resilient supply chains either went out of business or caused their customers deep frustration because their goods were effectively grounded with no back-up strategy in place."

The lack of major infrastructure is also a continuing challenge. Poor road and rail links affect both Africa as a whole and individual countries. For example, the Democratic Republic of Congo, Alumona points out, has no major east-to-west route, while no rail network links different countries for seamless transportation. Even moving goods between countries in West Africa involves customs controls, documentation requirements which impact on border delays. As Alumona observes, this all contrasts with European Union countries where goods can move across borders with ease.

A further challenge is a lack of investment in digital technology. This means that companies will opt for manual labour as a logistics solution because it is cheaper than the investment in the technology. However, "When a lot of people are involved in a single process there are errors. If that process is automated, errors reduce and you start to build reliability in your supply chain." This is why, Alumona advises, it is important to think about longer-term reliability when building resilience and not to go for the cheaper option.

While hijacking and theft can pose a threat to logistics operations in different countries around the world, Alumona suggests that the problem for some areas of Africa is a continuing underlying challenge that has yet to be properly tackled. If investors are unsure about how to assess the risks, a perceived or real threat pushes up costs and is not conducive to supporting long-term projects. "This issue not going to be solved tomorrow. It requires strong leadership and governments need to do more to tackle the problem."

Free trade and other solutions

Alumona recognises that solutions to these challenges take time. Arguably, the most significant development that will transform the logistics industry is the African Continental Free Trade Area (AfCFTA), which aims to create a single market for goods and services across the continent. Seven countries: Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda and Tanzania are trialling an e-tariff system to determine the duties on their respective goods; AfCFTA's aim being to eliminate all tariffs on 90 per cent of goods over the next ten years. Bringing the whole of Africa "under one umbrella," says Alumona, "is a game-changer," freeing up border procedures and easing bureaucracy overall. Alumona believes Africa will start to see significant trade benefits after only three years of AfCFTA being implemented.



Some countries are starting using the many developments in digital technologies to automate their seaport systems to load containers more efficiently, for example, while improving digital services to speed up customs checks. Similarly, within a warehousing environment, automation is reducing packing and loading times.

Other solutions involve what Alumona summarises as ‘Uberisation’: in short, creating a cloud-based system to which transporters can register their business offers. A customer wanting goods transported can then check which providers are available and book the one best suited for their needs. A similar concept could also work for warehousing operations, says Alumona. Suppliers can offer a storage space and customers rent a portion of that space for their pallets for whatever length of time they want, without getting tied into long-term contracts. “This model can drive down costs and stimulate demand. There is great potential here,” Alumona points out, for both the Business-to-Business and Business-to-Consumers sectors. “All these ideas are making progress, but we are still only scratching the surface.”

An important consideration must be Africa’s small and medium-sized enterprises (SMEs). “We’ve already seen a lot of success with start-ups in countries like Nigeria and South Africa,” says Alumona, “but we need to build better digital capability everywhere.” However, while digitisation is gaining momentum, there are still large areas of Africa where people do not own a smartphone and cannot use an app. “Governments need to create policies that first encourage investors to finance projects to boost digitisation while helping people embrace the technology.”

To that end, training in digital capability must be a key component of the education system. Alumona would like governments to recognise the value of the digital economy and educate every young African in how to use laptops and software from primary school onwards: “to get used to these tools as early as possible just as they do in Europe and the USA.” As Alumona points out, “there’s point in having digital solutions if consumers are unable to use them.”

Looking to the future

Today, Africa is net importer of goods from other continents. Alumona believes that this position will decrease significantly over the next five to ten years as trading within Africa increases, particularly with the implementation of the AfCFTA agreement. He predicts that Africa will become a net exporter because the continent is so well resourced: producing a range of vital raw materials the rest of the world needs.

As part of this transformation, e-commerce will also expand hugely across the continent, creating many new opportunities for the logistics sector, including the collection and utilisation of data, which is currently “very poor in Africa”. For example, if you are interested in consumer sales of a particular product, “you will find it very hard to collect that data,” Alumona says, “but with improved digital capability, the insights into consumer behaviour will significantly improve.” This means that production capacity can be matched to demand which, in turn, will better manage warehousing and distribution requirements, enabling the supply chain to become more agile and robust.

While Alumona does not believe that sustainability is a priority for most African leaders today, he sees changes coming. For example, the introduction of more electric vehicles, especially for last-time deliveries; reduction in the number of miles that vehicles travel when empty and the cutting back of plastics in secondary packaging.

As Alumona sums up: “When logistics are efficient and effective, you have satisfied customers.”

