

Finding the right distribution partner in Africa

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As many manufacturers have experienced, finding a distributor in Africa is challenging. For brands to succeed in Africa, they will need to find a distribution partner that is able to build a successful route to market. In order to do this, brands need to invest more into managing and building the capabilities of their distributors. The problem is not scarcity of distributors, but rather a lack of skills and ability. Distributors in Africa operate more as traders or wholesalers, operating in what we call a passive system. This means they buy and sell stock cheaply, they don't specialise and don't endeavour to build new business. As African trade evolves, brands need real distributors who are proactive, build networks and build a route-to-market system. There are not enough distributors with this skill set today.



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Brands that have found distributors who tick the right boxes, discover more often than not that they lack skills and capabilities to meet their vigorous demands. Having mostly evolved from traders and wholesalers, they often lack skills and capability in terms of how they structure their business, how they build and execute their business plans, how they interact with the branded suppliers. When modern trade evolves, the problem is compounded as brands become more demanding - expecting the distributor to enable themselves when change happens. What happens instead, is a distributor not being able to meet requirements of modern trade because it doesn't have the skills and has not invested in growing its own capabilities.

Need to take ownership of building capability

If suppliers want to continue operating remotely, they need to take ownership of building capability with the distributor as up-skilling staff does not make business sense to them. In addition, developments in modern trade have an impact on African distributors, and create further complexities. One example is the procurement payment model. When regional traders want to ship stock from SA, this creates a greater demand on distributors in terms of managing ahead, merchandising, returns and so on, yet they are not rewarded for the effort and time. Operating in Africa requires a different mindset. Brands have to gear themselves to manage the business, manage the distributor and understand the dynamics in market so they can ensure mutual trust and successful distribution.

For a brand to succeed in Africa, its teams will have to manage distributors. Even if a manufacturer sets up office in a country, its presence does not guarantee its success because it's crucial to perfect the distribution and route to market. When it comes to partnering a distributor in Africa, trust between organisations is important. A distributor will withhold information if there is a risk that a supplier will reach critical mass and begin distributing independently. The aim is to keep

suppliers in a place where the distributor still has the power. They will sooner add another principal than engage with existing suppliers to grow business, which is why trust is important in order to maintain the relationship.

When looking for a distribution partner, consider this:

- Financial stability is obviously of great concern for many people doing business in Africa, brands need to ensure the distributor has the financial capability to take the business on;
- Willingness to support the business is very important, because if a distributor doesn't think a brand will generate long-term growth, there will be a lack of interest and support, sharing of information and inclination to grow the business;
- If you have a portfolio, you need to find a distributor that suits the needs of your portfolio. It is vital to be strategically clear on what you are trying to achieve, or you may end up with a distributor with the wrong distribution channel;
- If a product is suitable for more than one channel, you may need to use multiple distributors who have more capabilities in these channels;
- Anyone can be a distributor, but full-service distributors are rare. When looking for a distributor that specialises, this may not be obvious at face value. They may position themselves as able to distribute anything, but by asking questions you will find out where their strengths lie; and
- Consider their existing capability on route to market. Find out who they partner already, how they go to market and how successful they are. Often the best distributors in Africa are the ones with long-standing relationships with bigger brands. They will likely have benefitted from brands that have given them training and development. If they work with a brand such as Coke or Unilever, the chances are that they are a better at dealing with the requirements of more demanding brands and have likely built their capabilities up for this.

To succeed in Africa, you need a solid entry strategy. Brands have to manage the business, manage the distributor and understand the dynamics in market so they can check the distributor is doing their job properly. If you are looking at expanding into Africa for the first time or are having concerns with your distributor, you may want to consider bringing in an expert consultant who specialises in African strategy. This means you would have experts helping design the route-to-market strategy, source the appropriate distributor for the strategy, assess their capabilities and address critical areas, as well as guide you with best practice distribution management tools.

ABOUT MICHAEL WOOD

Michael Wood is co-founder and Director of Aperio, a business consulting company focused on accelerating growth of FMCG brands in South Africa and sub-Saharan Africa. Michael has many years international experience where he held the positions of Marketing Director, Sales Director and Managing Director with the Gillette company and Procter & Gamble.

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