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What SA's FMCG space can learn from Kenya

By Andrew Dawson

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The simplest way of optimising route to market is through pre-sales, which then creates a predictable order and allows for the best delivery routes to be calculated. However, for much of the market in South Africa, this is simply not the reality.

To service the main market, deliveries are based on a 'best guess' as to who will buy what from the van and when, and sales are all cash-based. However, this is complex and error-prone.

Actual stock on the van may not match what the retailer wants to order, the retailer's order may change because they do not have available cash for their usual purchase, or the competition may have arrived first and the retailer has already purchased stock. This requires invoices to be regenerated in trade, credit notes passed and cash to be collected.

In Kenya, things are slightly different. This is due in part to the high penetration of smart and feature phones, which enables practically everyone to access the M-Pesa service. Digital banking not only speeds up transactions and reduces risk in terms of cash in transit and cash not collected, it creates data, which can then be used for analytics.

An intelligent route to market solution on top of digital banking can bring route optimisation into a space where this was previously impossible, helping distributors to understand customer requirements, rate of sales, money collected and more.

Change in mindset opens up opportunity

South Africa has a large contingency of the population that is unbanked and chooses to remain that way, which hinders the adoption of cashless processes. However, it is also an opportunity to change mindsets and drive the adoption of technology in the retail space, which could have significant economic benefits.

Through digital banking, retailers in Kenya are empowered to develop a credible, measurable and auditable transaction history, which makes them eligible for credit. This, in turn, enables them to expand their offerings, grow their businesses and stimulate the economy.

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An example of this is Jaza Duka, a partnership between MasterCard, Unilever and KCB Bank Kenya Limited that empowers retailers by offering credit through the cashless M-Pesa system. This enables retailers to stock their stores more effectively, as they are not reliant on available cash purchasing power.

Through credit and finance options and simple cashless payment and transaction solutions, retailers in Kenya are able to increase the size of their orders and thus improve their discount.

For distributors, the number of deliveries is reduced and more efficient routes to market can be developed. It also facilitates the potential of moving from a van sales to a presales environment, with all of the benefits of this. Digital platforms also lend themselves to loyalty programmes, which can influence customers by offering meaningful rewards like cash back.

Technology the foundation of change

More efficient banking is key to improving route to market. Moving away from a cash mindset and empowering consumers to utilise digital banking is key. All parties in the value chain benefit from improved cash flow and reduced defaulting, and manufacturers can make production and distribution more accurate. Banking is at the core of technology adoption, which is where Kenya stands out above other African countries. However, it is not a solution on its own.

One of the challenges with banking platforms like M-Pesa is that digital payments are lumped into a wallet and cleared to the retailer at night, leaving a lack of transparency around individual transactions. Additional technology that integrates with digital banking platforms can address this challenge by generating invoices and aligning payments. This enables distributors and retailers to more accurately reconcile their payments. Supporting technology can also work with digital banking solutions to deliver intelligence for new prospect analysis, identifying gaps in the market and tackling new retail segments. It also facilitates optimisation along the entire distribution channel and route to market.

For the South African FMCG market there is huge opportunity to adopt digital banking platforms and supporting technology to optimise route to market, drive increased sales and buying power, and ultimately stimulate economic growth. Learning from the Kenyan example could be tremendously beneficial.

ABOUT ANDREW DAWSON

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