

The need for value chain transparency

 By [Ilse van den Berg](#)

22 May 2018

Sahmeer Alli is SAP Africa's industry advisor and value engineer for travel and logistics in Africa. He has over 15 years' experience in the software and management consulting industry. His focus is to support SAP customers define their digital transformation within the areas of cargo and logistics, passenger travel, maintenance, core back-office functions and new business models. We chat to Alli in light of #AfricaMonth...



Sahmeer Alli

■ ***Value chain transparency has been a big topic of discussion. What is your view on the matter?***

Value chain transparency has been a topic of interest for some time now. What has amplified the need for transparency is the complex way in which companies conduct business today.

Traditionally, value chains had been confined to the traditional boundaries of a company. The primary challenge then was to break down silos between internal functions to facilitate integration and transparency. Companies that got this right gained from the deep insights across their internal value chain, gained some level of agility in dealing with disruptions to their operations, and adapted well to changes in market demands.

Today, companies are extending operations into new (global) markets and face increasing competition from non-traditional players.



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Companies are forced to extend their traditional internal boundaries and partner with external providers (raw material suppliers, logistics service providers, outsource manufacturers, etc.) to improve the value of product/services, reduce costs, and extend their customer reach.

The inclusion of third-party providers makes it increasingly complex for companies to maintain the same level of transparency as they have enjoyed in their traditional self-contained world. This creates some uncertainty on the level of service and quality they provide to their end customer.

As an example, the inclusion of cold chain logistics service provider adds complexity to how a company can guarantee the freshness of its products/produce by the time it reaches the end customer. Obtaining meaningful, informative and up-to-date insights from external providers is a challenge which most companies today face to create holistic visibility across the value chain.

Furthermore, the recent outbreak of listeriosis in South Africa, Lassa fever in Nigeria and others around the world, has sparked public outrage forcing authorities to take those accountable to task. Companies have faced reputational damage and, in some cases, paid substantial fines.

This, and similar incidents in other sectors have added to the increased focus on companies to have more control and transparency into their end-to-end value chains.

▀ ***How can value chain transparency impact and/or benefit logistics providers if they 'get it right'?***

The level of transparency that most logistics service providers (LSPs) provide, at a minimum, is basic tracking information so that the shipper and recipient can view the status of the delivery and react to changes in the schedule.

At the extreme, there are LSPs that serve the pharmaceutical and chemical sectors. These LSPs have to adhere to strict regulation, accurately track the movement of product batches, regulate the temperature, etc. and also provide evidence of this back to their principals. That is why only a select few LSPs can play in this space.



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Companies across various industries are being pushed to take more ownership and accountability for their product traceability, quality and safety as pressure mounts from civil society and new laws and regulations are introduced to hold companies more accountable. LSPs that are willing to share this accountability with its principals can gain a significant competitive advantage, much like their peers have seen in the pharmaceutical industry.

LSPs that find themselves not being able to provide new value-added services, improved levels of collaboration, and sharing of the information required to operate in a truly transparent value chain could soon be forced out of certain industries or even worst case, forced out of business.

▀ ***What would you say are the main challenges in Africa regarding value chain transparency?***

The adoption of technology, specifically information systems, to enable the digitisation of business operations is probably the biggest challenge we face with on the continent.

Many value chain players across various industries do not have formalised information systems and still run their business operations using spreadsheets and email. Now when you consider electronic real-time interchange of information between parties to support a transparent value chain, email and faxes are just not going to cut it.

Another challenge is the lack of standardisation in how information is shared between companies. In most cases, the dominant party in a value chain invests in their own closed loop platform to facilitate the sharing of information between parties.

This often results in smaller players having to adopt a variety of processes and tools to conduct business with different stakeholders. This then adds further complexity to existing old and inefficient manual processes.

“ *There is definitely a need to standardise and create a common platform for the electronic exchange of information relating to a value chain.* ”

■ **What are your thoughts on the state of digital transformation in the logistics and supply chain industry? Are African countries lagging far behind other countries?**

The logistics industry lags behind in the digital maturity and adoption curve when compared to other industries, such as banking, telco and retail.

LSPs are plagued by cumbersome manual and inefficient processes, underutilised assets, and paper-based customer interfaces. Digitisation can assist to overcome these challenges, improve transparency and competitiveness.

Key areas where LSPs need to focus their attention to formulate sound digital transformation strategies include:

- **Intelligent core** – with a common data platform and natively integrated digital core, internal business processes are automated to help ease manual intensive activities. Furthermore, real-time and role-based insights are provided at each step of the process to improve transparency and inform decision making.
- **Business analytics** – a better understanding of trade route performance which further informs route optimisation, pricing, and cost reduction strategies.
- **Digitisation of the customer experience** – a digital store and a simplified catalogue for end-to-end logistics services can automate several manual processes and also allow LSPs to reduce their overall cost to serve.
- **Connected assets** – real-time monitoring of asset health to develop condition-based and predictive maintenance strategies for improved asset utilisation, safety, and increased lifespan.
- **Emerging technologies** – machine learning, artificial intelligence (AI), robotics, virtual and augmented reality, quantum computing, blockchain and other emerging technologies can provide increased levels of automation and enhance the work experience. The introduction of these technologies needs to be done in conjunction with the other areas to understand the true business value.

The state of digital transformation in Africa in the logistics industry is much the same as other parts of the world.

Whilst Africa has infrastructure related challenges, African based LSPs have the same challenges (as covered above) as their European or US counterparts. In fact, there are some African born LSPs that are probably ahead, as we see with drone delivery in Rwanda and Tanzania.

■ **What is the importance of partnerships and collaboration across the continent?**

The signs of economic growth across Africa are positive. Established players have realised the potential to accelerate their

growth by moving into new African markets. This will create an equal surge in the demand for reliable LSPs. But tackling all of Africa on your own can prove to be challenging even for the mature LSPs.

LSPs are going to have to forge new partnerships and collaborate with other LSPs in new markets to deliver a new set of services to serve truly African players. This will automatically see the emergence of more 4PL (fourth party logistics) type players in the market that will partner and collaborate with smaller niche providers to deliver a differentiated service in the African market.

■ **Why is Africa the place to be?**

Across the continent, there is large investment into logistics infrastructure to support new trade corridors across the continent. The Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor project is just one example of the level of investment being made in Africa.

This is creating the opportunity for new and establishing logistics players to create new offerings that will allow businesses to effectively utilise these new trade corridors and drive economic growth.



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We also see the emergence of new types of players in the logistics space, leveraging new technologies to overcome the infrastructure challenges that LSPs face in Africa. Zipline, as an example, is a new player on the continent leverages drones for medical delivery across East Africa.

Africa may be behind the curve in the logistics arena when compared to the European, Asian and US sectors but the emergence of new technologies and extremely smart entrepreneurs hold the promise for Africa to leap ahead and set a new benchmark.

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ABOUT ILSE VAN DEN BERG

Ilse is a freelance journalist and editor with a passion for people & their stories (check out Passing Stories). She is also the editor of Go & Travel, a platform connecting all the stakeholders in the travel & tourism industry. You can check out her work [here](#) and [here](#). Contact Ilse through her website [here](#).

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