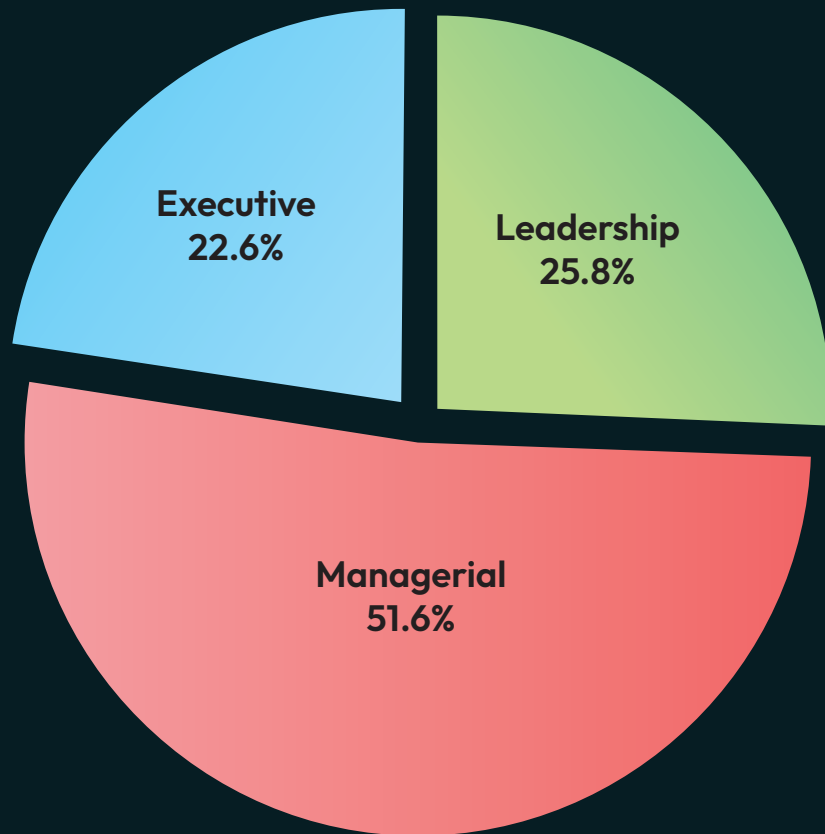


South Africa Report 2024

Eye On The Last Mile

Premise:



Distribution of Positions by Category

In its 30th year as an independent economic nation, South Africa is at the cusp of a major economic boom. A digital gold rush has started already with the advent of global giants like Amazon and Shein that is set to disrupt the market in a way that has no precedent.

Favorable government policies, a rising middle class, an aspirational high-income segment of the society, changing logistics infrastructure and an appetite for growth and lifestyle elevation are fueling the disruption. Yet, this is not without its challenges.

According to a recent World Bank report, high crime rates are causing a massive dent to the GDP to about ~9.6%. Addressing this is one of the biggest challenges as it is a key impediment to growth. However, the silver lining is that with the creation of new job opportunities and employment channels, this could potentially change. Historically, social structures and exclusion are key reasons for high crime rates. The approach to tackling this needs to be sustainable and sensitive and one of the key reasons for this to change could be the potential this boom is offering.

Another positive factor is the reduction of inflation in South Africa which would technically give its people more purchasing power. This is an opportunity that businesses should leverage and capture market share.

With this context, we surveyed top executives to help benchmark the state of the last-mile in South Africa. Here is the world's first and only primary report focussing on trends in the last-mile in South Africa.

Key Points

1. Impact of Macro Global Factors on Logistics

2. Key Challenges

3. Carrier vs Owned - What is the landscape looking like?

4. Regulation & Compliance

5. Delivery Readiness & Maturity

6. Technology Investments for the last-mile

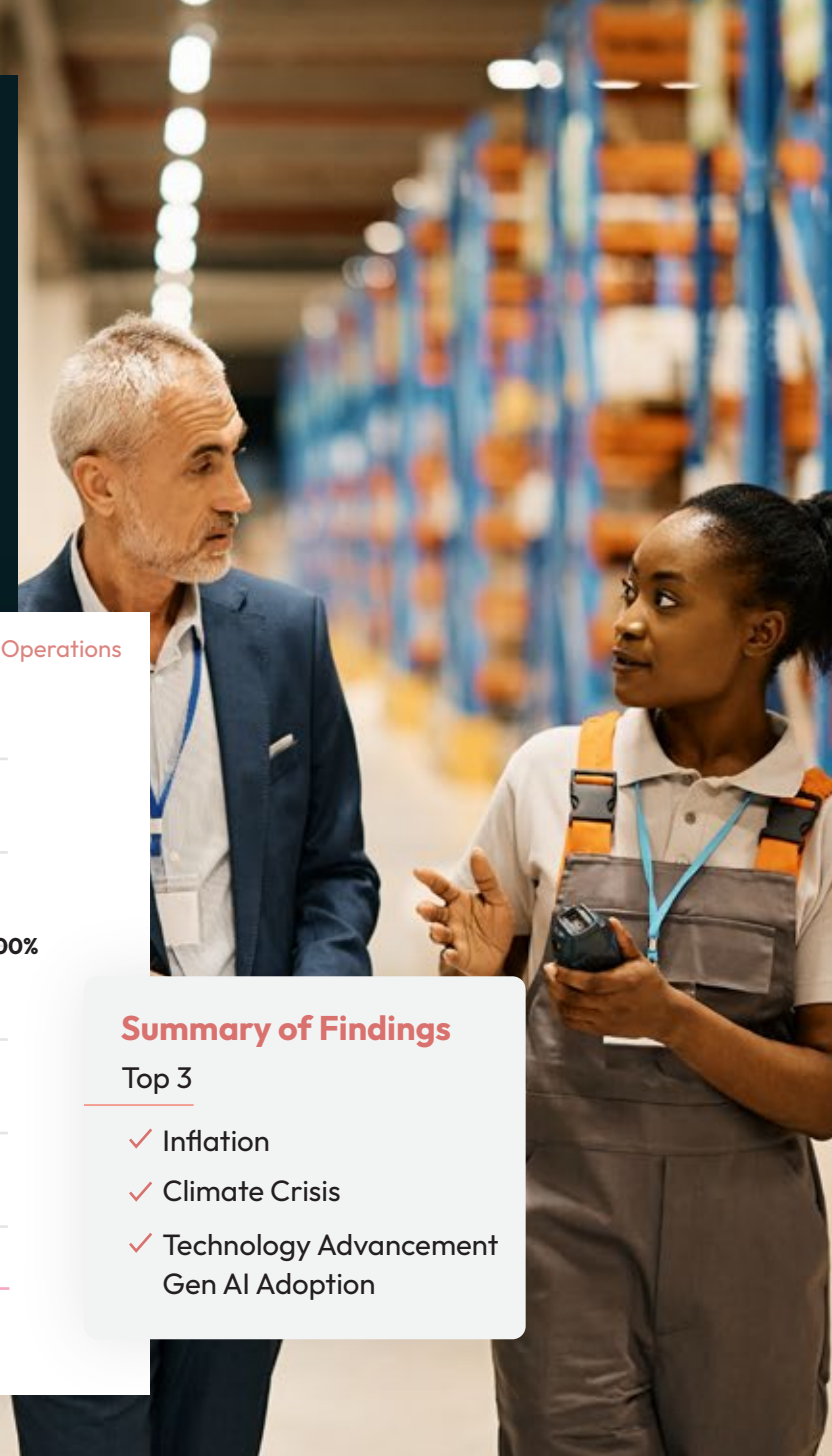
7. EV & Autonomous Deliveries

8. Key Success Metrics

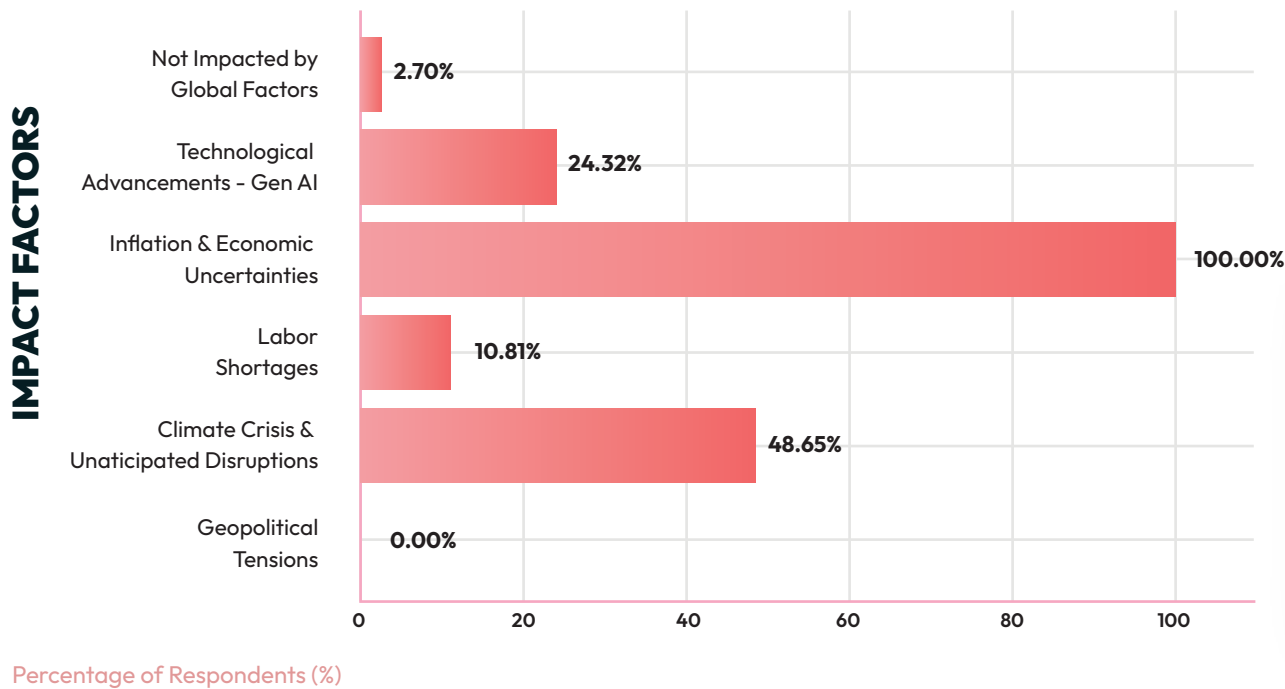


What are the leaders thinking on top of their mind?

Several global macro factors that are beyond anyone's control play a major role in shaping last mile decisions. Our study began with the search to understand what is on top of their priority list in terms of these factors.



Impact on Logistics Operations



Summary of Findings

Top 3

- ✓ Inflation
- ✓ Climate Crisis
- ✓ Technology Advancement Gen AI Adoption

Inference:

With 100% of our respondents citing inflation as the top-most factor on their minds, it is to be anticipated that a lot of decision-making would revolve around costs. About 48% of respondents stated that climate change and the associated crisis is a top concern that is impacting logistics. This implies that a significant factor in their decision-making would be a strong focus on sustainability. Africa, by nature, has been a pioneer in showing the world low-tech, necessary solutions that are sustainable. A focus on sustainability would cement its status on the global stage. The third factor that around 24% of our respondents highlighted was the growth and significance of new technologies that include Gen AI capabilities.

Contrary to many global economies, South Africa has a major advantage on the labor front. Only 10% of our executives mentioned labor availability as a concern. A surprise reveal from the report that the last mile in South Africa has been quite guarded from geopolitical tensions and conflicts, with almost no impact on operations.




Key Decision Drivers:

1. Cost Management - Cost is expected to have maximum influence on every decision pertaining to the last mile.
2. Focus on Sustainability - There will be a strong leaning towards solutions that are sustainable and climate-friendly.
3. Openness to adopt technology - This will be critical to success and a key competitive differentiation.

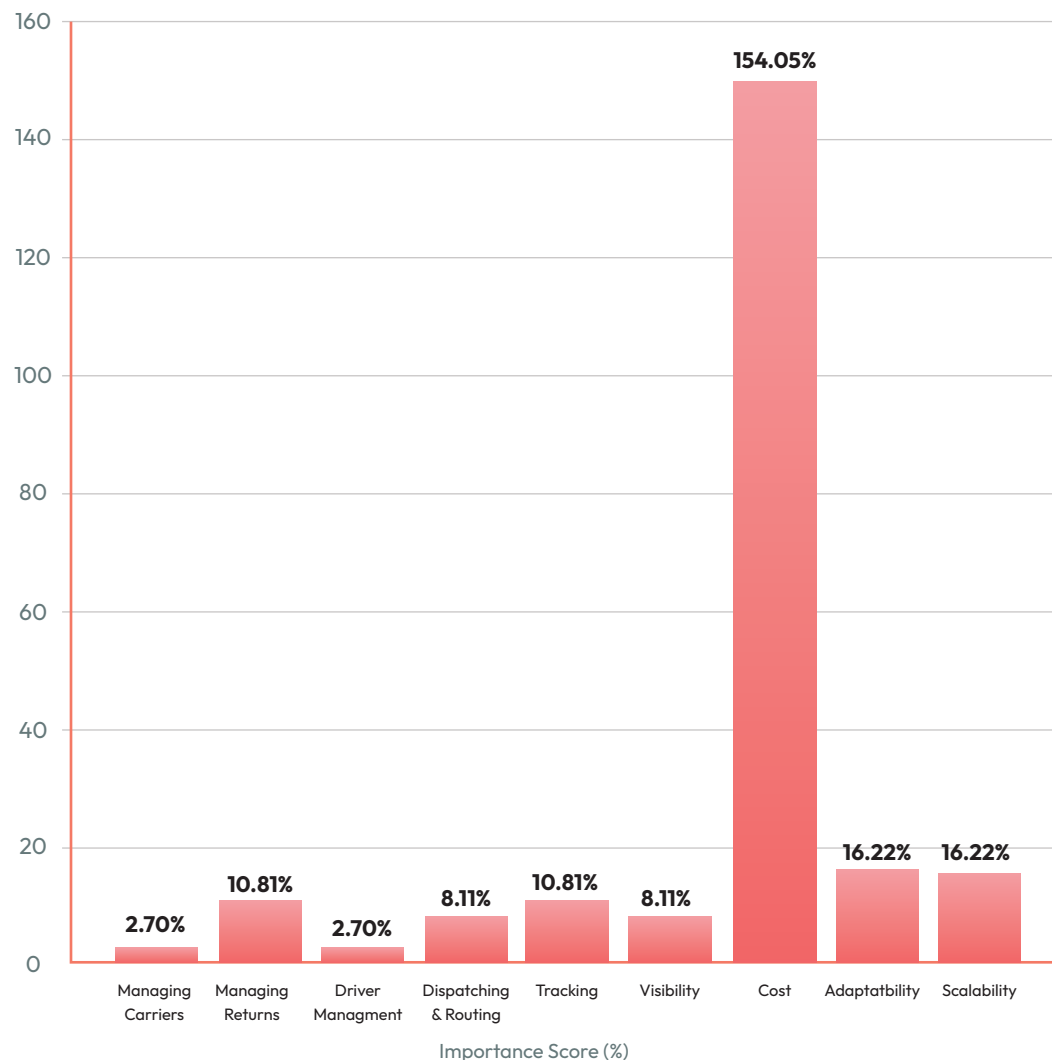


Key Challenges

Respondents were asked to rank their top challenges and the data was analyzed using a weighted score method. Here are the findings:

-  **Cost:** The most significant challenge, with an impressive 154.05% importance score, indicating that cost considerations dominate decision-making in last-mile delivery technology.
-  **Scalability and Adaptability:** Both have an importance score of 16.22%, suggesting that while these are recognized challenges, they are not as pressing as cost.
-  **Visibility:** Reported with a score of 8.11%, highlighting that it is a concern but less critical compared to the financial aspects.
-  **Tracking:** Holds an importance score of 10.81%, indicating some level of focus but less critical than cost management.

Major Challenges in Last-Mile Delivery Technology



Expectations



Focus on Cost Management:

Given its significance, companies are likely to explore innovative solutions to reduce costs, such as optimizing routes and leveraging technology for operational efficiency.



Invest in Scalability and Adaptability:

As the market evolves, investing in technology that can scale and adapt to changing demands will be crucial for long-term success.



Enhance Visibility and Tracking Solutions:

While these are lower priorities, improving visibility in the supply chain can still provide competitive advantages and boost customer satisfaction.



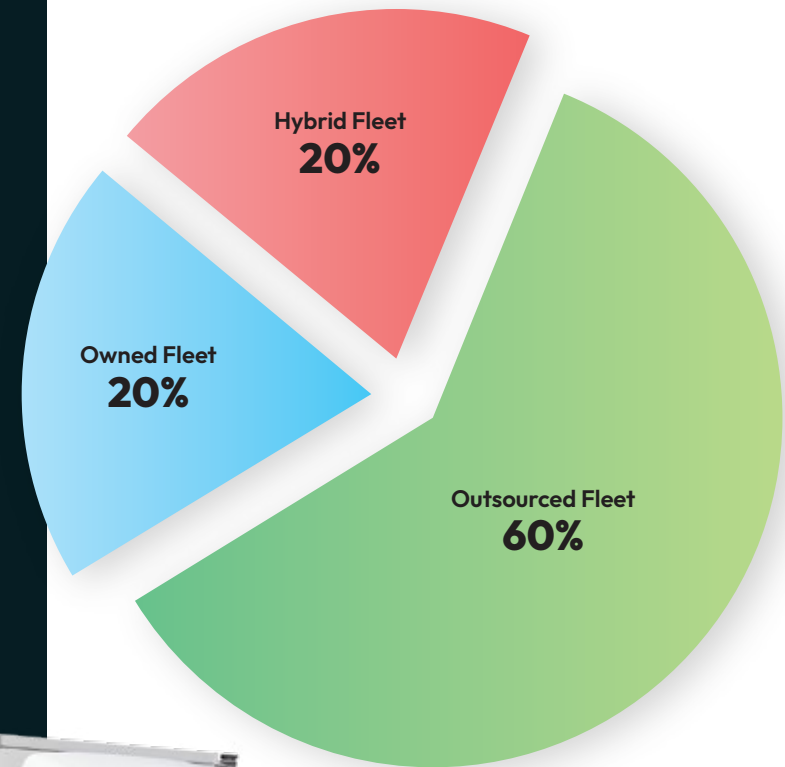
Owned vs Outsourced

With the booming last mile landscape and the need for deliveries more than ever, the study went on to find how businesses are catering to the growing demand. With competitive and cost pressures, this is a key aspect that can largely determine competitive positioning. Considering the high capital and operating costs of owning a fleet, it is expected that businesses will start with an outsourced fleet and eventually take a call to move to an owned or a hybrid fleet. Here are our findings on the current state of Owned vs Carrier-driven last mile deliveries.

The higher percentage of Outsourced Fleet suggests that many companies are leveraging third-party logistics (3PL) to manage their delivery needs, potentially to reduce costs and increase flexibility.

The minimal reliance on Owned Fleet may indicate that companies prefer to outsource logistics rather than manage their own fleet, possibly due to cost or operational complexities.

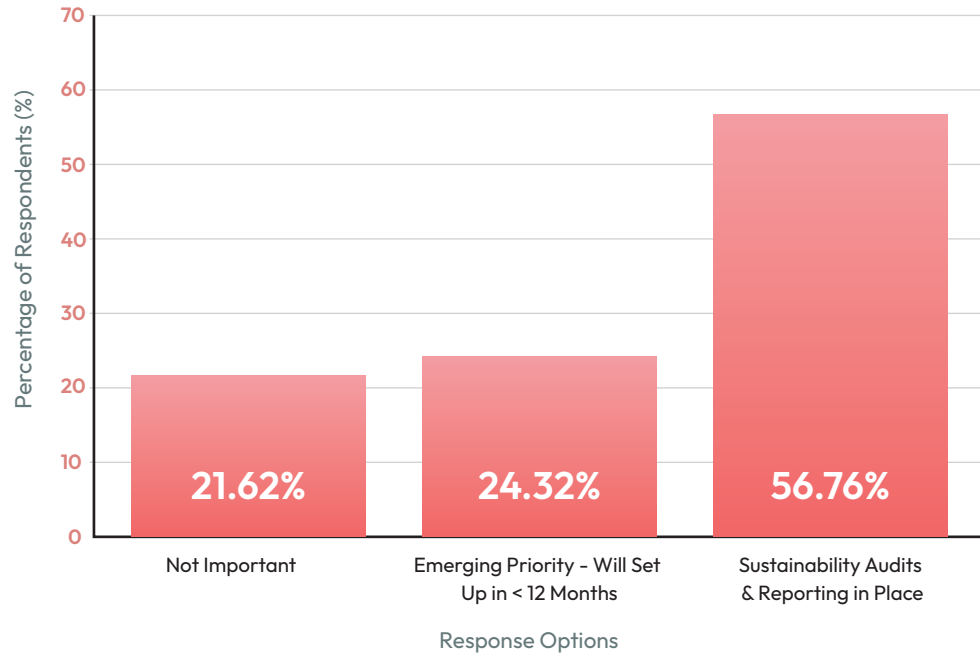
Delivery Execution Channels Distribution



Regulation & Compliance

With sustainability and compliance being a prominent area of focus, we studied the state of compliance readiness amongst businesses.

Impact of Regulatory and Compliance Pressures on Sustainability Efforts

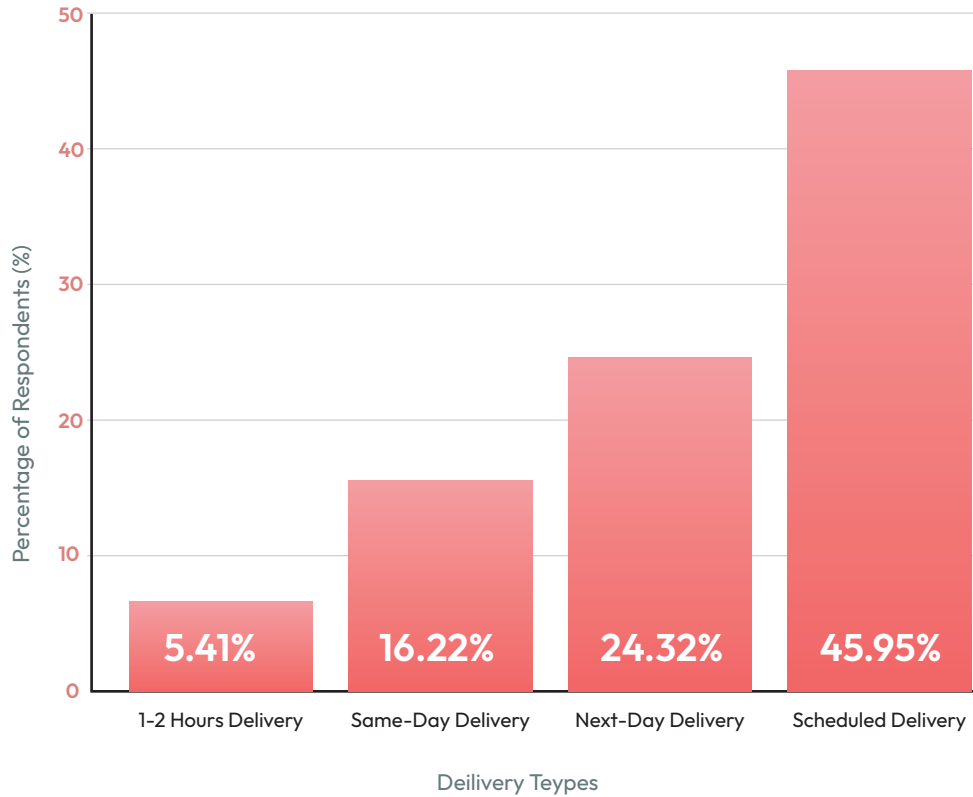


While about 21% respondents did not find compliance and regulatory pressures around sustainability a top priority, the vast majority felt otherwise. A significant 24% businesses are keen to set up sustainability reporting within the next 12 months while about 56% have audits and reporting already in place.

Delivery Types & Readiness

This is a critical insight from our study that reveals the current state and projects the future state of how companies offer deliveries. With rising pressures such as the advent of global players, this is set to undergo a massive change. However, there are also logistical challenges and bottlenecks that play a role in

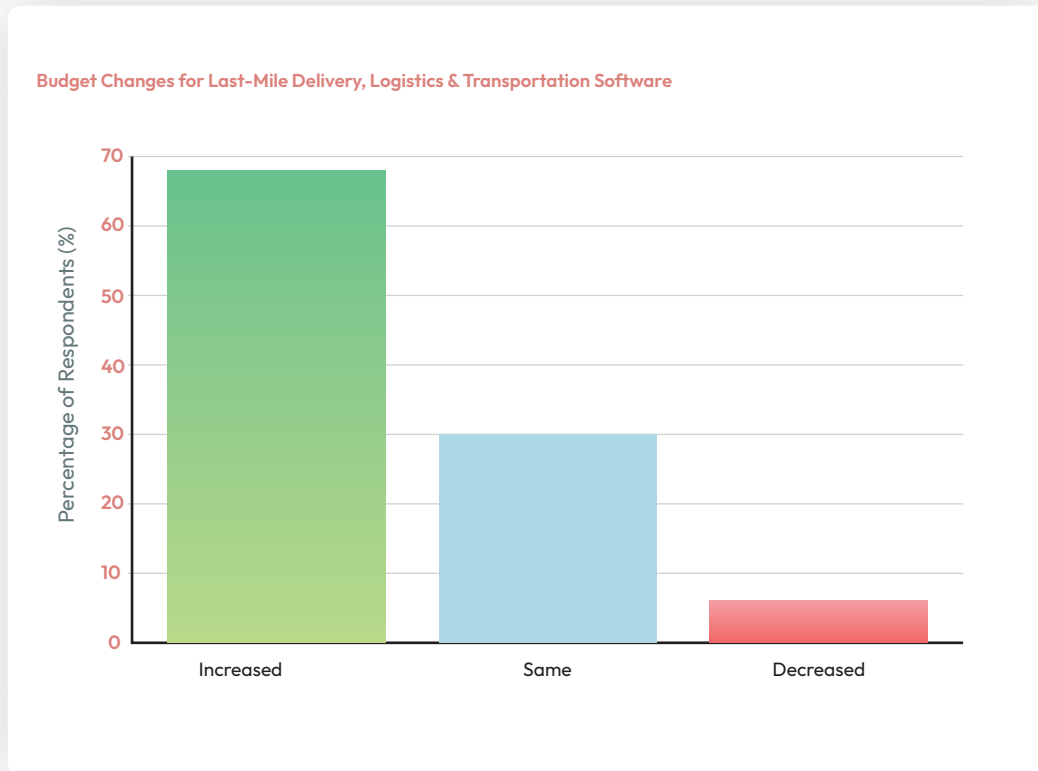
Types of Delivery Currently Offered



Role of Technology & Innovation

Technology Budgeting & Investments

To tackle the changing environment, businesses are looking to invest in new technologies and build robust last-mile capabilities. Here are some of the findings with regards to technology and budget allocation.



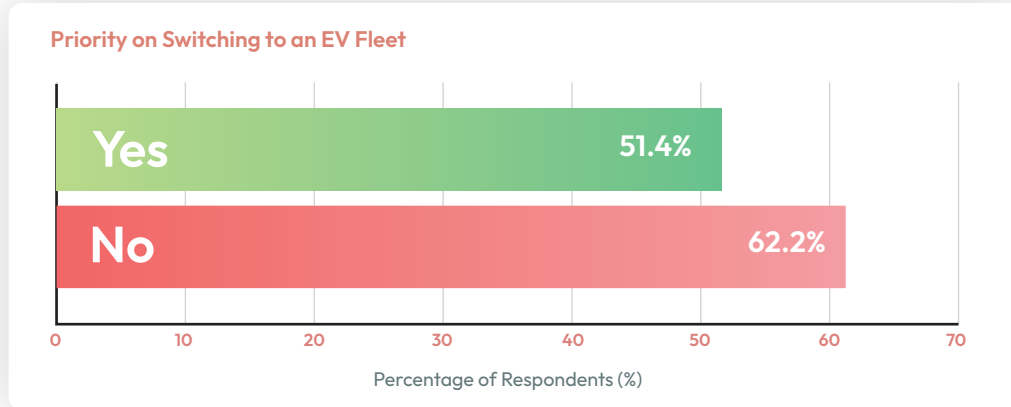
Key Findings:

- 67.6% of respondents indicated that their budget has increased, reflecting a growing focus on enhancing their logistics and last-mile delivery capabilities. This could suggest a response to increased demand for more efficient delivery systems, technological advancements, or expanding business operations.
- 29.7% of respondents reported their budget has remained the same as the previous year. This indicates a stable commitment to their current logistics and transportation software without major expansions or cutbacks.
- Only 5.4% of respondents noted a decrease in their budget, which suggests minimal reduction in investment, possibly due to cost-saving measures or optimizations made in prior years.

The overall trend shows that most businesses are increasing their investments in these critical areas.

Innovation & Future-Readiness

Considering the buzz around drones and EV adoption, we tried to understand if businesses are already making a switch or is it still in early stages and here are the findings:



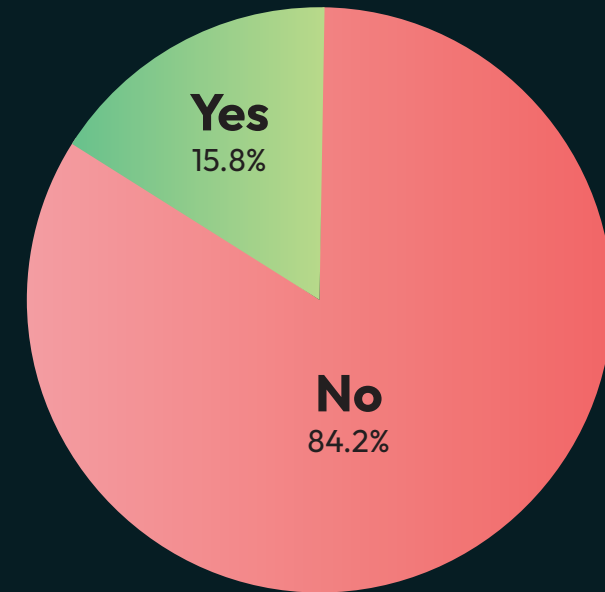
Key Findings:

- 51.4% of respondents indicated Yes, suggesting that over half of the organizations are prioritizing the transition to electric vehicles. This could reflect an increasing focus on sustainability, cost savings from fuel, or adherence to new environmental regulations.
- 62.2% responded No, showing that for many, transitioning to an EV fleet is not yet a top priority. This might be due to concerns about the initial investment, infrastructure challenges, or the ongoing effectiveness of conventional fleets.

The results reveal a balanced yet slightly higher lean towards those not making the switch a primary focus, signaling room for further consideration of benefits or challenges tied to EV adoption.

Drones

Intention to Use Drone for Deliveries in 2024

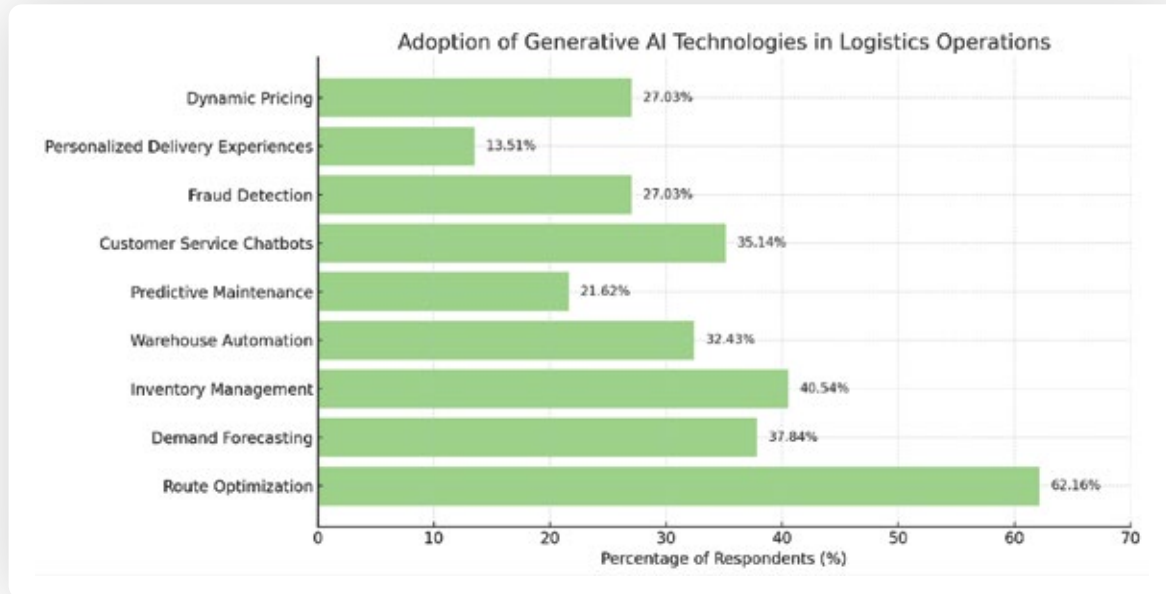


Key Findings:

- Only 16.2% of respondents indicated Yes, suggesting that drone delivery is a relatively niche focus for a minority of businesses. This could be due to technological, regulatory, or logistical challenges that hinder widespread adoption.
- 86.5% responded No, reflecting the hesitation or lack of priority in implementing drone delivery by 2025. This may indicate that businesses are not yet ready to invest in or adopt this emerging technology, perhaps due to infrastructure or cost concerns.

Generative AI & Its Role

Businesses have prioritized AI adoption far more than autonomous vehicles, EVs and drones. AI is set to play a key role in everyone's strategy in multiple use-cases.

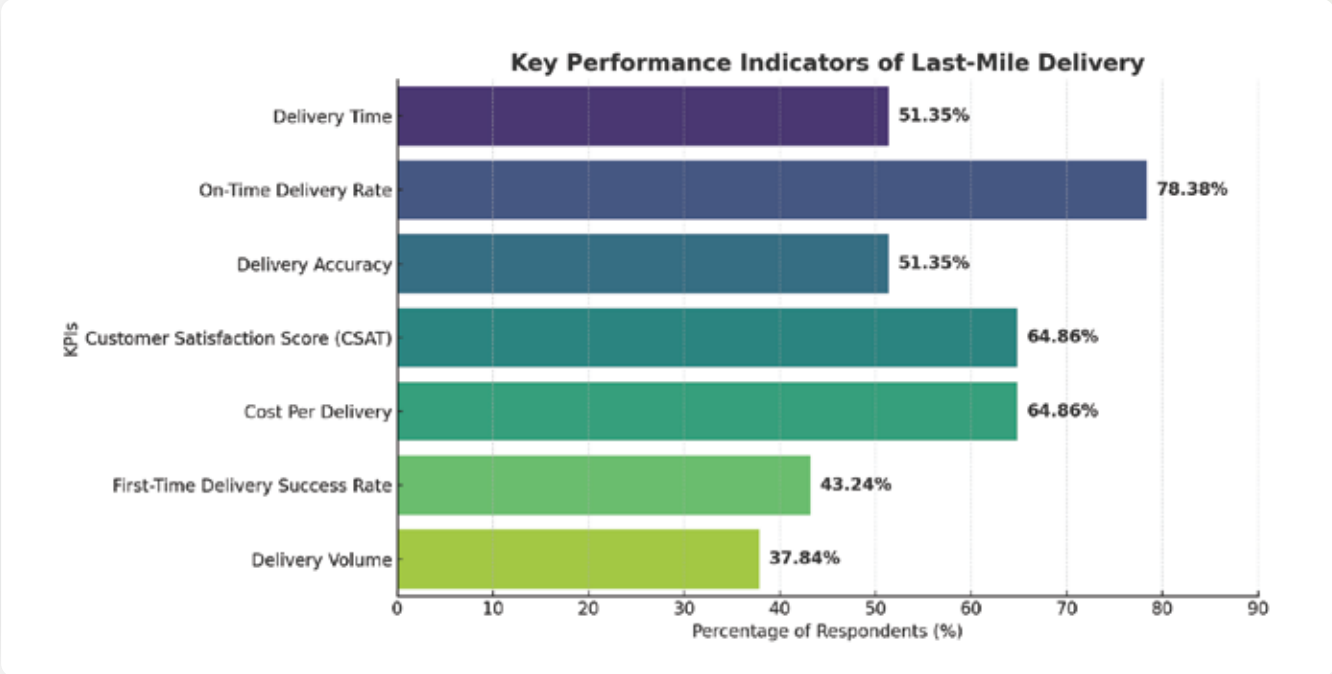


Key Findings:

- The significant adoption of Route Optimization suggests that organizations prioritize improving efficiency and reducing delivery costs.
- The interest in Demand Forecasting and Inventory Management indicates that organizations are focusing on data-driven decisions to better align their operations with market demand.
- Areas like Predictive Maintenance and Warehouse Automation are gaining traction but may require further investment and innovation to enhance their adoption rates.



Last-Mile Delivery KPIs



Analysis:

On-Time Delivery (78.4%):

This is the most prioritized KPI, with 29 respondents emphasizing its importance. It shows that businesses place a significant focus on ensuring that deliveries are made within the promised window. On-time delivery is a critical factor in maintaining customer trust and operational efficiency, especially as customer expectations for rapid, predictable delivery increase.

Customer Satisfaction (64.9%) and Cost per Delivery (64.9%):

Both of these KPIs were ranked equally important by 24 respondents. Customer satisfaction reflects a holistic approach, where businesses are concerned with the overall experience, including delivery timeliness, communication, and handling of products. Cost per delivery points to the economic aspect, where businesses must balance operational costs with performance metrics to remain profitable.

Delivery Time (51.4%) and Delivery Accuracy (51.4%):

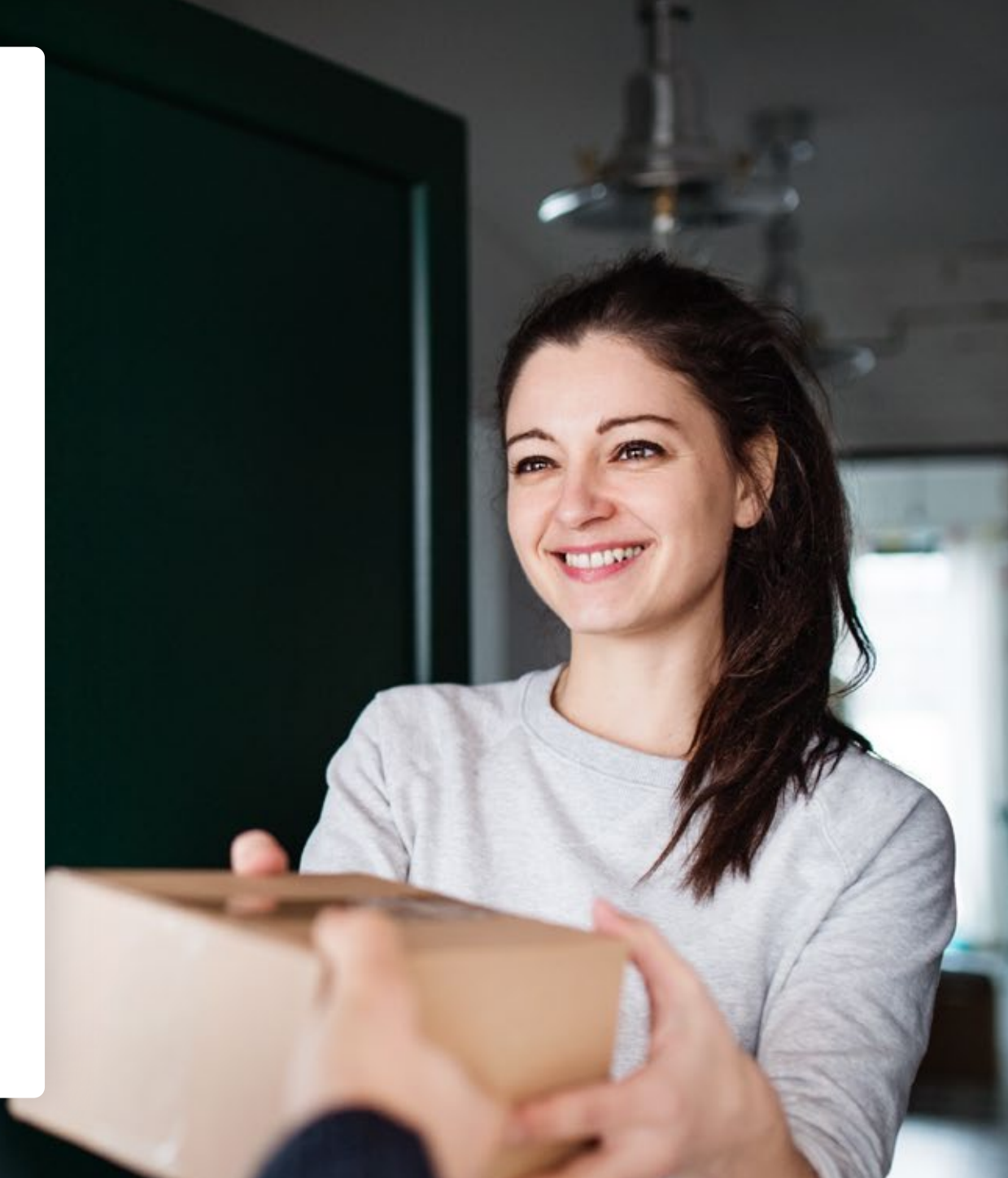
Both KPIs share equal importance for 19 respondents. Delivery time refers to how quickly deliveries are completed, which aligns with the increasing demand for same-day or next-day delivery services. Delivery accuracy is vital for reducing returns or exchanges and maintaining efficiency. Incorrect deliveries not only increase operational costs but also hurt customer satisfaction.

First-Time Delivery (43.2%):

With 16 respondents indicating this as a priority, first-time delivery measures the ability to successfully deliver a package on the first attempt. This is important for cost savings, as failed delivery attempts lead to higher operational costs and customer dissatisfaction.

Delivery Volume (Scale & Capacity) (37.8%):

This is the least prioritized KPI, with only 14 respondents considering it important. While scaling operations and managing delivery volumes are important for growing businesses, it may not yet be a top priority for companies focused on maintaining efficiency, accuracy, and customer satisfaction over simply increasing capacity. This is also possible because of the nascent stage at which the last-mile in South Africa is.

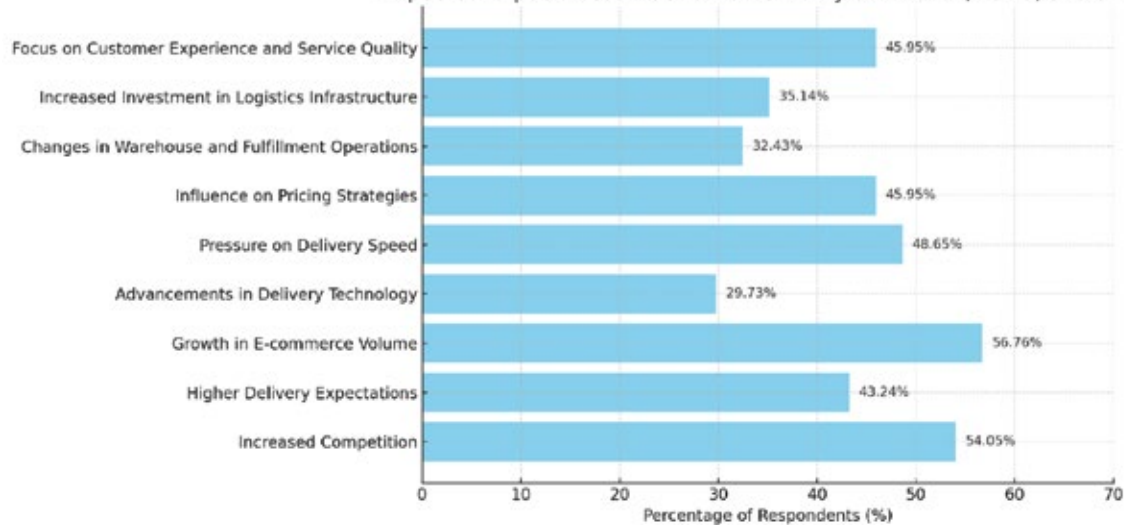


Advent of the Giants & its impact

The entry of Amazon and other global players into South Africa's market will significantly impact last-mile delivery. These companies bring advanced logistics systems, increased efficiency, and cutting-edge technology, raising customer expectations for faster and more reliable deliveries. Local retailers and delivery firms may face heightened competition, pressuring them to improve their supply chain operations and adopt innovative solutions like automation, real-time tracking, and expanded delivery networks. Additionally, there could be a greater focus on same-day or next-day delivery, pushing logistics providers to optimize routes and reduce costs while maintaining service quality to remain competitive.

Here is what our respondents answered in this context.

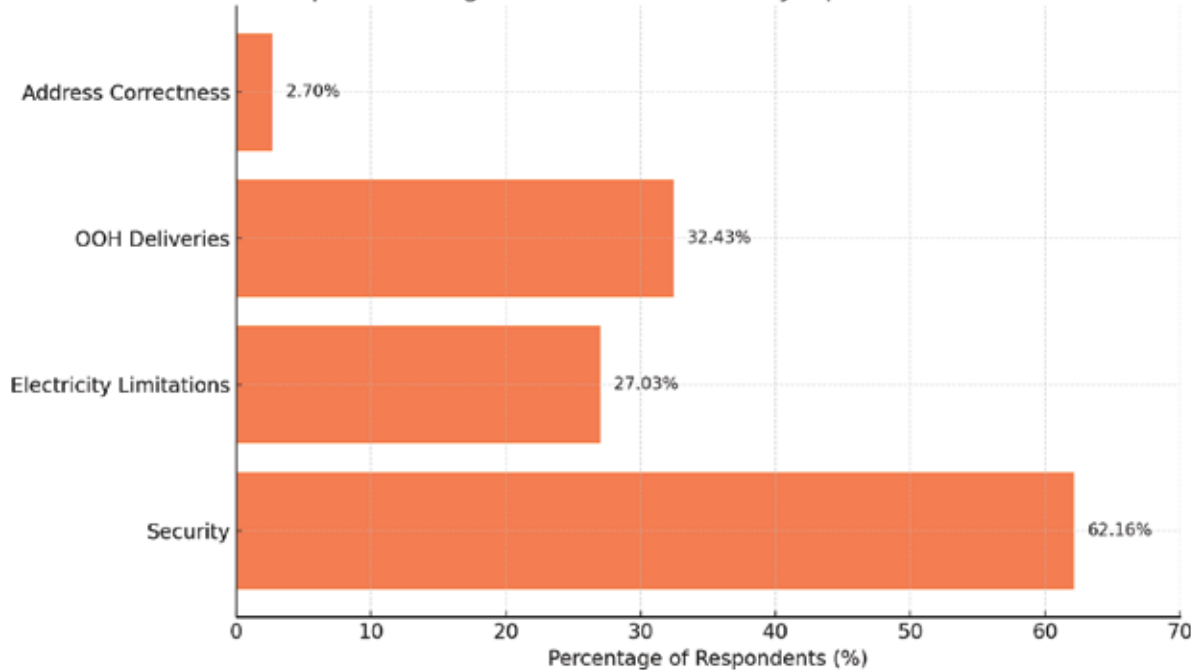
Expected Impact Areas Due to Market Entry of Amazon, Temu, and Shein



Insights:

- The significant responses for Increased Competition and Rising E-commerce Volumes suggest a strong expectation that the market will be transformed by the arrival of major global players.
- The expected Pressure on Delivery Speed and Rising Consumer Expectations highlight the need for current players to strengthen their logistics operations to stay competitive.
- The feedback indicates that businesses must not only focus on competitive pricing but also brace for considerable shifts in their operations and customer service strategies to remain relevant.

Unique Challenges in Last-Mile Delivery Operations in South Africa



The findings suggest that while security is the predominant challenge in South African last-mile delivery operations, other factors such as OOH deliveries, electricity limitations, and address correctness also play significant roles. Addressing these challenges requires a multifaceted approach, combining technology, infrastructure investment, and enhanced security measures.

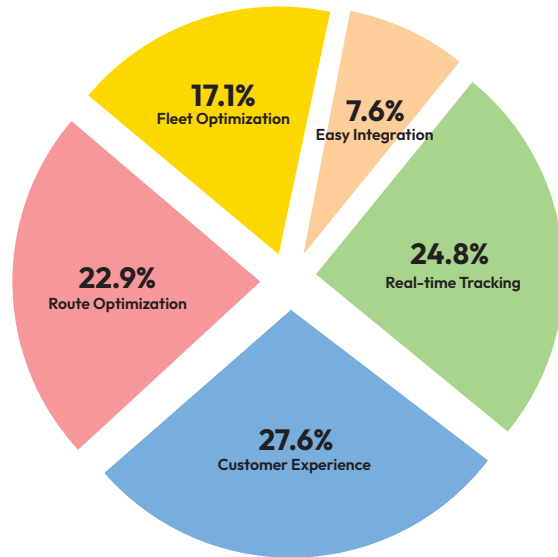
As the e-commerce sector continues to grow in South Africa, companies that proactively tackle these challenges will likely gain a competitive edge, improving service quality and operational efficiency in their last-mile delivery processes. If you need further analysis or specific recommendations for strategies to overcome these challenges, feel free to ask!



Key Focus Areas for Last Mile Leaders in South Africa:

Considering the advent of global players and an emerging growth in demand for the last-mile, we intended to understand the key focus areas for business leaders around the last-mile.

Top Areas of Focus to Drive Last-Mile Growth



Insights

- The strong focus on Customer Experience aligns with prevailing market trends, where providing outstanding service is vital for maintaining customer loyalty.
- The emphasis on Real-time Tracking reflects the increasing demand for transparency, as customers now expect timely updates on their deliveries.
- Route & Fleet Optimization are critical for enhancing operational efficiency, enabling companies to deliver faster while keeping costs in check.

Conclusion

South Africa is a unique region that poses new challenges around the last mile. The entry of global players further escalates the urgency with which businesses need to approach the last mile. From the study, the two major areas that emerge as immediate challenges to address remain - cost and security. Technology can be a big and a key enabler in solving for the two and businesses are looking to invest and adopt innovations such as Gen AI into their ecosystem to tackle the challenges. The next 3-4 quarters will see the effect of global players and it would be an era of massive transformation not just in the last-mile but also the economic landscape of Africa.



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