

# Kizuki Group

The Challenges face by SME in  
developing a successful e- Business  
Strategy.

A short analysis through the Supply  
Chain

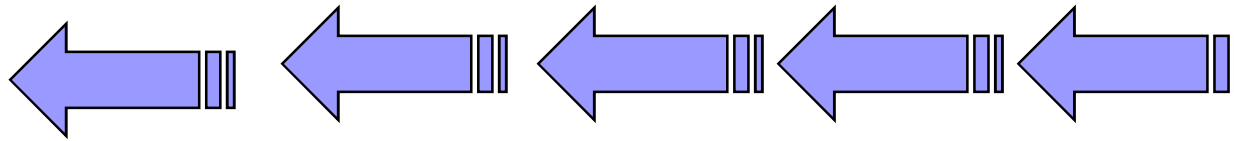
By Francis Stevens George  
September 2001.  
Updated June 2003

# INTRODUCTION

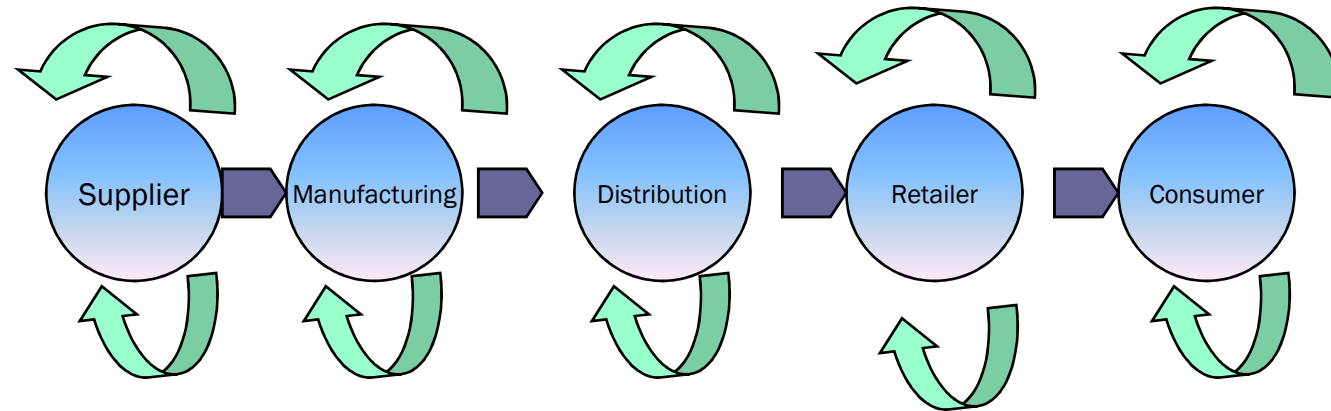
- Much has been said about the potential of the Internet and its related technologies to help businesses improve their performance in several areas.
- Nevertheless, we should not forget the internal challenges that SMEs face in Africa. These are challenges that have accompanied the opportunities that eCommerce presents. Thus , if we are to see wealth creating activities by SME all over Africa, then the internal challenges must be addressed successfully.
- Through the experience we have had with SMEs in Africa, we can capture the internal challenges by looking at a supply chain diagram.

# Supply Chain Planning

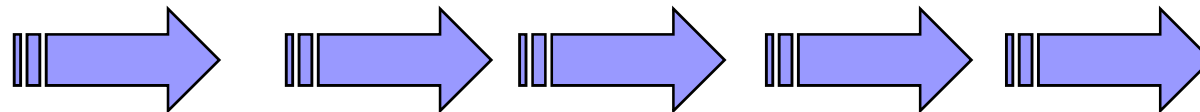
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Information Flows



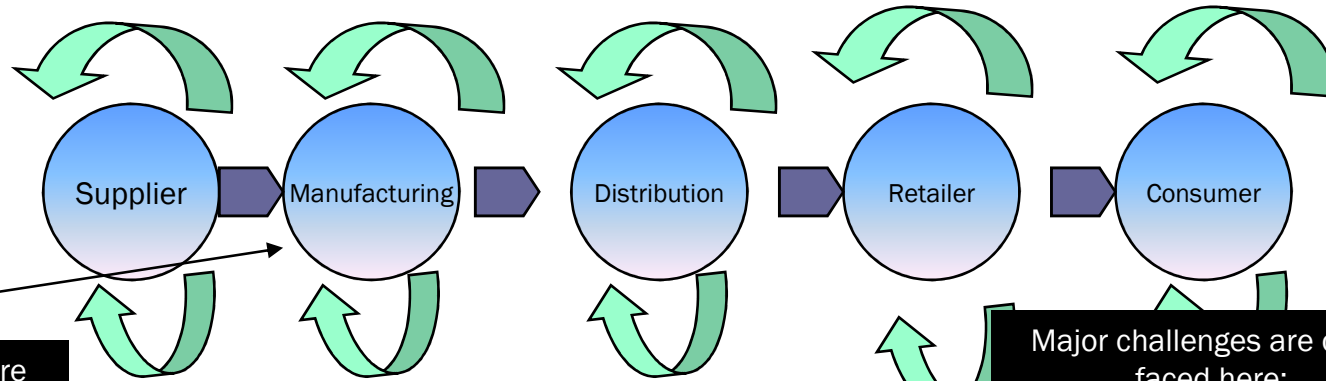
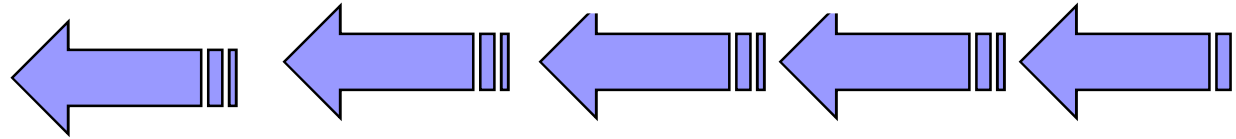
Payment Flows



Supply Chain Execution

# Supply Chain Planning

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1

Few problems here, where materials are sourced locally. Often a very good local network exists.

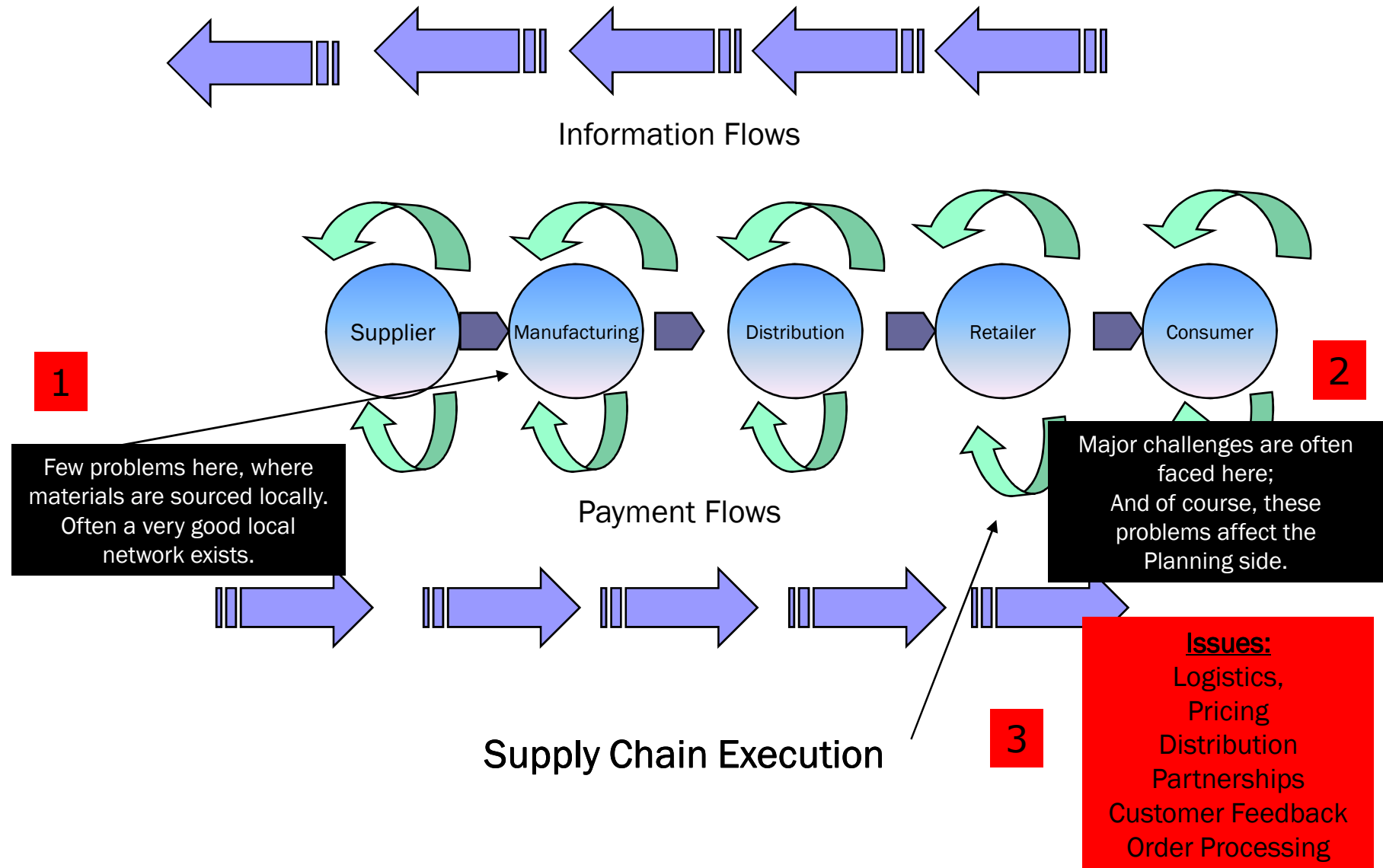
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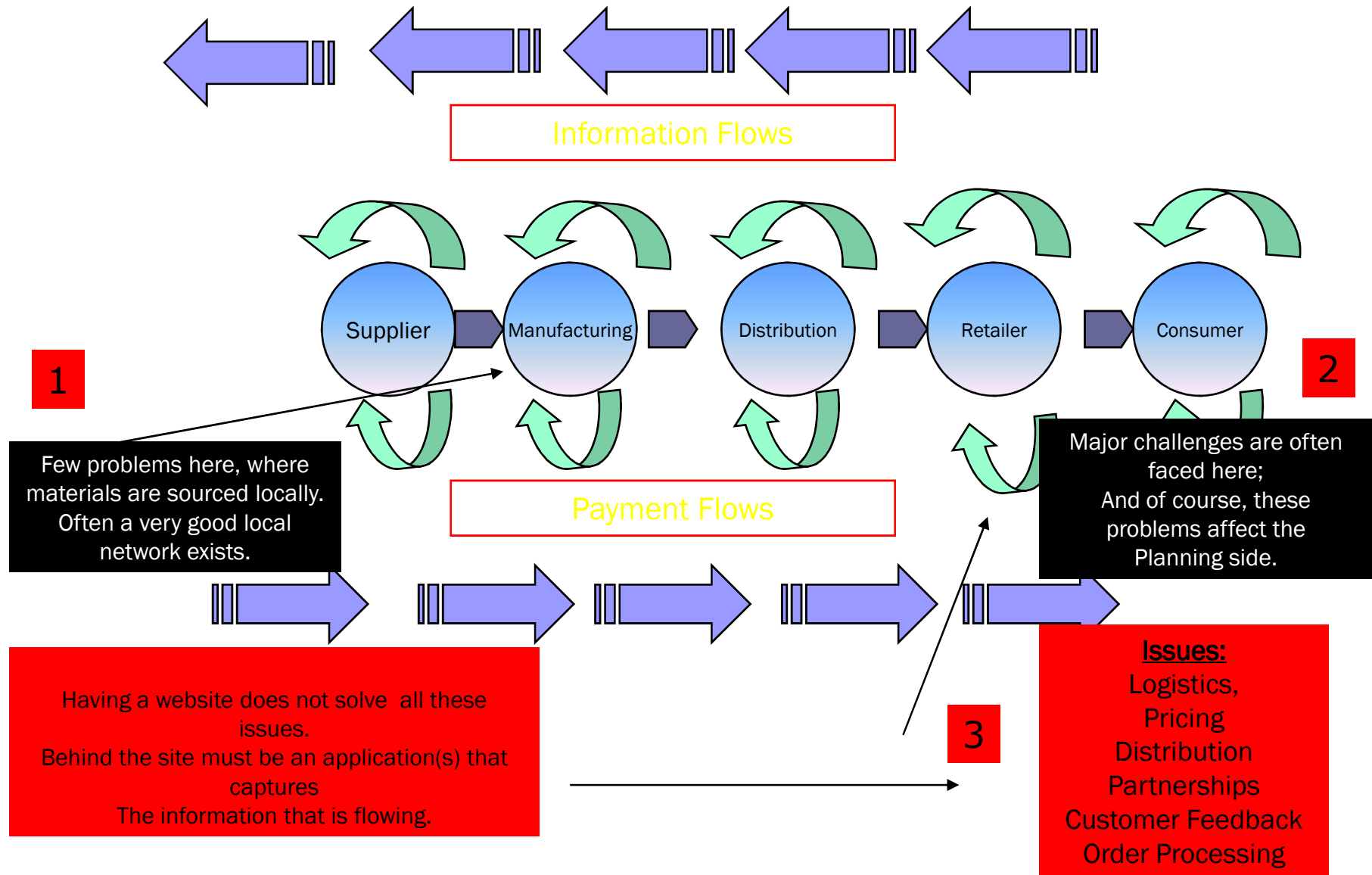
Major challenges are often faced here; And of course, these problems affect the Planning side.



# Supply Chain Planning

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# ISSUES

- Logistics. Often companies are too small to negotiate favourable terms with major transportation and carriers. Not uncommon to find transportation costs approaching 70% of the TC.
- No partnerships exists in the international level to process small orders, distribute and undertake marketing. The website becomes the only channel. This raises issues of security and trusts. Customers are reluctant to part with credit card information.
- Usually not enough instruments in place to deal with return orders.
- Almost impossible to measure demand and plan.

# RESULTS

- No vision of future demand. Poor marketing forecast and thus poor planning.
- Erratic customer service due to too little or too much inventory.
- Too many production changeovers.
- Too many stock outs.

# WHAT KIND OF SUPPLY CHAIN?

- Adaptive Supply Chain

This is more relevant in the case of African SMEs because elements can be reconfigured to changing customer demand. Managers or proprietors need to identify and respond to changing business conditions and consumer requirements.

- Intelligent Supply Chain are dynamic and are in a continuous process of refinement.

In our view not suited to SMEs in Africa because of the level of investment needed given current market base. There may be a small number of companies that can implement such chains; holiday resorts for example.

# CLARIFICATION ?

- SCP-Supply Chain Planning

Demand forecasting, inventory simulation, distribution, transportation.

**Software needs:** Quality Planning packages

- SCE-Supply Chain Execution

Procurement, manufacturing, and distribution within the value chain. Use distribution centres and warehouses.

**Software needs:** Warehouse and Transportation management modules.

# CONCLUSION

- External Challenges

Efforts at improving the infrastructure are to be welcomed.

Further investment indeed needed to increase quality of the infrastructure

Policy changes to open up markets for competition thereby driving down prices and rates.

- Internal Challenges

Resources should be directed towards SMEs training programs, access to expert advice and e-learning in management..

If we fail this, then the infrastructure will be in place, but very few would benefit from the opportunities.