

# Tips to Building a Distribution Center in South Africa

Although many core principles of DC operations carry over across global borders, there are significant regional differences. This article will introduce you to some of the ways you'll need to think differently about building a distribution center in South Africa.

**Transportation.** There are poor road conditions in many areas of South Africa. There are also fewer transportation regulations. Combined, you'll find that transportation can be unsafe and quite a challenge. If your customers pick up their product, locating your DC near the port of entry may be the best choice.

**Imports & Taxation.** There are considerable import duties and taxes on imported goods. You will need to assess your options for sourcing your material handling equipment, as the financial impact can be large. And since construction timelines are often extended due to longer approval processes, there are sometimes significant currency fluctuations between the time you budget and the time your contracts are signed.

**Theft.** Theft is a significant issue in South Africa. Couriers transporting products are targets for thieves. And hijackings are not uncommon. You will need to take measures to protect your employees and your inventory.

Theft occurs both inside and outside the DC. The perimeter of the DC will need to be secured with locked gates and badge entry. And the inventory may need to be tightly secured within the DC, as well.

AREA	CONSIDERATIONS
TRANSPORTATION	<ul style="list-style-type: none"><li>• Poor road infrastructure</li><li>• Fewer regulations</li></ul>
IMPORTS & TAXATION	<ul style="list-style-type: none"><li>• Higher tax on imported goods</li><li>• Currency fluctuations</li></ul>
THEFT	<ul style="list-style-type: none"><li>• Couriers are "easy" targets</li><li>• Increased security needed within and around DC</li></ul>
AUTOMATION	<ul style="list-style-type: none"><li>• Less Automation</li><li>• Additional factors in building a business case for automation</li></ul>
BUILDING REGULATIONS	<ul style="list-style-type: none"><li>• Lengthy waits for construction approvals</li><li>• Varied local regulations</li></ul>
LABOR	<ul style="list-style-type: none"><li>• Language barriers</li><li>• Multi-ethnic workforce</li><li>• More union friendly</li><li>• Less educated workforce</li></ul>



**Automation.** Because labor is much less expensive in this market, businesses tend toward more manual processes. But less automation can mean lower productivity, capacity and quality. Special care needs to go into building a business case for automation that goes beyond the cost of the automation equipment and includes these other factors, as well.

**Building Regulations.** Despite the best planning, it is common to have lengthy waits for construction approvals. Add in time to work through varied local regulations and building code issues, as well.

**Labor.** Managing a South African workforce requires a different approach. Though English is the predominant language of the working class, some of the labor force doesn't speak it. There is also a very diverse ethnic mix among workers and a more union-friendly labor environment. In addition, hourly wages are significantly lower in South Africa. Couple this with a staggering 25% unemployment rate and a high level of competition for jobs, and you may encounter a threat of violence in the workplace. Be aware of and sensitive to the often complicated issues of this labor environment.

## About Fortna

Fortna is a professional services firm helping companies with complex distribution operations meet customer promises and competitive challenges profitably. We develop a solid business case for change and hold ourselves accountable to those results. Our expertise spans supply chain strategy, distribution center operations, material handling, supply chain systems and organizational excellence.

## How Can We Help?

Fortna designs, implements and supports supply chain solutions. To learn more, ask to speak with a strategy expert.

Call: 800-367-8621  
Email: [info@fortna.com](mailto:info@fortna.com)  
Web: [www.fortna.com](http://www.fortna.com)

Don't miss these other articles on our Web site:

- > [Building a Business Case for Material Handling Investment](#)
- > [Keys to Successful Supply Chain Transformation](#)