

Trade and finance go hand-in-hand in 2019



By [Dr Greg Cline](#)

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With the expansion of the internet, most businesses now compete on a global scale. For local companies, however, this brings additional challenges, which, if not managed correctly, can have a significant impact on operations.

If we consider that South Africa is an import economy, then any change within the global market, as well as the local business landscape, can, and will, cause significant ripples.

Even though GDP growth has slowed, disposable income spend has reduced and general consumerism is flat, South Africa remains an import economy, with over R1.2 trillion worth of goods being imported annually.



Dr Greg Cline, head of corporate accounts at Investec Import Solutions

With the possibility of credit-rating downgrades and concerns over fiscal slippage and the pace of structural reforms which are constraining medium-term growth prospects, a technical recession has been declared as of the second quarter of 2018, with GDP shrinking by 0,7% quarter-on-quarter. It's fair to say that it has been a rough few years for the industry and the sector has had to take a hard look at its operating models.



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Regardless of economic indicators, the challenge remains for companies who import goods to still be able to bring in their wares at an acceptable level of cost and match working capital to make their margins. This is all while maintaining or growing margins and ensuring they commit to the right levels of gearing for their respective businesses.

As a result, we are seeing an increase in the automation process, with fintech solutions coming to the fore. This, coupled with a growth in imports from the East, means we have companies examining viable ways in which they can access funding to service working capital needs.

Importing goods often require upfront deposits and balance payments to suppliers weeks before these goods are converted into cash. Companies would do well to obtain lines of credit that are priced fairly, have low or no admin fees, and don't carry penalties for non-utilisation or termination of a facility. New technologies are being applied to the supply chain to better understand cost inputs and timing of payments, with the objective of reducing working capital needs.

Disruptions drive change

Going into 2019, we are likely to see more Artificial Intelligence (AI) and self-learning technologies with the potential to predict costings and savings, as well as events that may or may not occur. An example is bad weather patterns. An AI system can potentially predict the impact of any negative weather patterns on trading times, which allows for better scheduling and the ability to change shipment ports upfront if required.



Source: pixabay.com

Another example is production and manufacturing at the start of the supply chain. Such technologies could create more responsive and predictable production times. This embedded technology would actually allow for a better understanding of when payments will be required, proofs are handed over for shipping, or when ships will arrive in port and goods will make their way to stores - as well as trends within the supply chain from a customer perspective – all of which ensure needs are matched to maximise sales.

However, as we examine what the new year could bring, businesses still need to be cognisant of the fact that logistics do not exist in isolation of funding. As such, it is probable that import businesses will partner with companies that understand the commerciality of their business and the technicalities of the inbound supply chain, and that leverage technology and innovation to maximise time and cost savings to effectively increase profitability.

ABOUT DR GREG CLINE

Greg Cline joined Investec Import Solutions in 2012 and is currently head of corporate accounts. His responsibilities include managing business operations and CRM for Investec Import Solutions' client base. Prior, Cline was business development director at Intel Corporation where he was responsible for regional enterprise sales, strategy and marketing operations. Cline graduated as a medical doctor and holds an MBA cum laude (University of Witwatersrand and University of Chicago).

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