

# There are big opportunities in manufacturing

By [Gavin Young](#)

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If you can find the right approach, there are big opportunities in manufacturing, even in South Africa. To realise them, though, manufacturers will have to up their game.



Gavin Young, CEO, Bridgestone South Africa

On the face of it, the prospects for manufacturing in South Africa continue to look bleak. Absa's Purchasing Managers Index, which measures sentiment in the manufacturing sector only, slumped again recently, and growth forecasts are being revised downwards. Eskom had to cut electricity supplies recently owing to strike action, but a stable power supply is one of the prerequisites for successful manufacturing.

Figures like these - and there are many others - spell out the brutal economic realities with which we must come to terms if any vestige of Ramaphoria is to survive. Getting our manufacturing sector growing again is clearly a priority if we are to begin pushing back the tide of joblessness that fundamentally threatens our social stability.

Bridgestone has been manufacturing tyres in South Africa for 90 years, so you could say we have earned our stripes. We have a large investment in plant in this country, and we need to find ways to keep it profitable, and even to expand it. Like everybody else, we want to participate in the growth shown by emerging markets, but we face the same challenges of an unreliable supply of skills from a failing educational sector, a volatile currency, and an investment climate that is uncertain at best.

For us, the opportunity is particularly clear because mobility receives a higher share of wallet in emerging markets as compared to the First World, and is highly aspirational.

We have been doing some hard thinking about how to work around these challenges, and some of our conclusions might be of value to manufacturers or would-be manufacturers in other sectors.

## **Understand your customers**

Basic, but your success depends on how well you understand what customers want. Manufacturers tend to spend less time on this and more on streamlining their processes. We are devoting a lot of energy to understanding our customers and then how to respond to their needs. Holding stock is too expensive, so we have to be able to do shorter runs in order to get the right product to the right outlets at the right time.

## **Specialise**

Our company is a case in point. We are one of two manufacturers of truck and bus tyres in Africa, and we also make tyres for the SUVs and luxury vehicles this market increasingly prefers. Close relationships with the relevant car manufacturers gives us a good baseload on which to build.

However, because we have a relatively large number of vehicle models and a small market, we have had to get very good at being able to change over our lines quickly. This is in contrast to the typical manufacturing strategy of long production runs and thus large economies of scale.

Our truck and bus business provides us with the capability to supply product to other African countries. As those consumers climb up the aspiration curve to their first BMW or SUV, we will be well-placed to go with them. As regards tyres (and vehicles) at least, we think South Africa is a good case study for how the rest of the continent will develop. In this sense, specialisation is the recipe for expansion.

## **Build ecosystems**

We are lucky enough to be part of a global company, and we have learned to use that to our advantage. Because of our small market and the need for relatively small runs, we find it's better to source tyres for ordinary sedans from our facilities in Europe, where high volumes yield great economies of scale. In return, they tend to rely on us to make and supply tyres for the relatively small numbers of SUVs in those markets.

There is no reason why manufacturers that are not from the same group should not craft a similar kind of approach, playing to each other's strengths. The trick is to identify these convergences.

We are also investigating practical but highly innovative ways of addressing the lack of the right skills, but our initiatives are not yet ready to be revealed.

Manufacturing in South Africa does have a potentially bright future, but to realise it will require us all to do some very hard thinking. Manufacturers need to invest in plant and keep on investing but these investments have to be highly focused or they will go nowhere.

## **ABOUT THE AUTHOR**

Caivin Young is CEO at Bridgestone South Africa

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