MARKETS
LOOKING BEYOND GDP

Multinational companies have increased their investments in Africa in recent years, hoping to tap into a growing pool of middle-class consumers. But although consumer spending power in the region rose from $470 billion in 2000 to more than $1.1 trillion in 2016, some companies’ African businesses are underperforming. That’s partly because headline economic indicators, such as per capita GDP growth, are misleading. In many of the fastest-growing African markets, average purchasing power remains very low, because economic growth has not led to well-paying jobs. Instead, it has created a small elite class; the poor population remains large and has little spending power. For a better measure of purchasing power, researchers at the Frontier Strategy Group—an information and advisory services partner to senior executives in emerging markets—developed the Consumer Class Conditions Index (CCI), which utilizes data on employment conditions, welfare, social exclusion, health, education, economic diversification, business environments, and quality of governance. The CCCI scores markets according to how easily wealth filters through society—and gives a better indication of which African countries have a broad swath of consumers able to make purchases on a regular basis.

Before the advent of online retailing, most warehouses shipped pallets of goods to retail stores. Today e-commerce fulfillment centers ship individual items to homes, which has increased the challenge facing “pickers”—the workers who must locate the goods. This task is especially time-consuming because many retailers, including Amazon and Zappos, use “chaotic” storage systems, in which dissimilar items are grouped together to save space. Although some retailers deploy robots to help with the process, picking remains a labor-intensive chore and typically accounts for more than half of online retailers’ warehouse operating expenses.

Most warehouses try to control costs by using algorithms to reduce pickers’ travel time, sending the worker who is closest to an item to retrieve it. New research suggests a better tactic. Analyzing nine months’ worth of data from a women’s apparel retailer whose warehouse contains 180,000 items and ships 20,000 items a day, the researchers found that experienced pickers are much more efficient than other workers at sorting through bins of items. They estimate that companies can boost productivity by up to 10% by deemphasizing walking distance and instead sending their most seasoned pickers to the highest-density bins—those containing the most varied mishmash of items. One implication: Because experience matters even for this relatively low-skill task, retailers should consider moves to reduce turnover, such as raising wages and improving working conditions.

ABOUT THE RESEARCH “The Effects of Searching and Learning on Pick-Worker Performance,” by Robert J. Batt and Santiago Gallino (working paper)