

The group continues to forward integrate into its airtime vending footprint.



Case study

The group via the Telecommunications Distribution segment is a leading provider of secure e-tokens to wholesale and retail consumer markets in South Africa.

The group's medium-term goal is to increase its ownership of its footprint – including integrated gateways, touch screens, self service terminals and vending machines – in order to maximise the margin it earns on the distribution of its broad array of e-tokens.

To achieve its goal the group has already begun to rollout proprietary devices within selected sectors of the South African consumer market and expects to have deployed at least 5 000 by the end of 2009.

Self-service vending machines

Comm Express Services (CES), a wholly owned subsidiary, distributes virtual and physical e-tokens (including starter packs) directly to consumers within local retail association and independent retailer footprints. **CES**, through its manufacturing division manufactures, distributes and maintains the group's proprietary vending machine infrastructure.

By the end of 2009, **CES**, in conjunction with Activi Technology Services, plans to

have rolled out in excess of 750 self-service vending machines within these environments to further enhance its ability to distribute e-tokens in line with the group's overall expansion targets and **CES'** self-service vending machines have been developed to cater for South Africa's unique requirements. Although they vend physical vouchers, they top-up virtually, never missing a sale. In addition, due to their robust design and quality manufacture, they require very little on-site maintenance.

Key to **CES'** success remains its ability to seamlessly forward integrate the group's e-token distribution platforms, for both airtime and electricity, into its proprietary vending machine infrastructure.

By being part of the group, **CES** benefits from significant economies of scale as it directly accesses:

- the standardised segmental price for e-tokens;
- strategic, operational and IT resources; and
- shares operational costs across the segment.

By owning a significant proportion of the footprint through which it vends e-tokens, **CES** has been able to reduce the margin it pays away to the retailer whilst still adding value by attracting footfall into the retail environment.

In addition, **CES** continues to provide end-to-end customer and business specific manufacturing and deployment solutions for the group and its third-party customers, such as the white labelling of self-service vending machines for selected clients.

