

# ALLIED GROUP

## CONNECTING AFRICA



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*The Allied Group has been using its extensive experience and expertise to take advantage of the booming growth in Africa's telecoms market*

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Allied Group is the leading provider of comprehensive logistics and technical services to mobile network operators, wholesalers and retailers, and a value-adding independent specialist distributor of cellular devices and related products such as phones, SIM cards, data cards, netbooks, laptops, collaterals and other accessories in the fast growing sub-Saharan mobile telecommunications market. The company's addressable market comprises 26 countries, with a total population of over 550 million. Allied shipped approximately 23 million units in 2011 and expects to increase its shipment volume twofold in 2012.

Allied was initially established as a distributor of handsets to mobile service providers and retail outlets. The company soon expanded its portfolio to include value-added services such as managing the end-to-end supply chain for its customers, including all warehousing, customisation, forecasting, purchasing, inventory management and distribution. Through the company's interaction with both cell phone manufacturers and retailers, Allied created a fulfilment model that minimises the response time for the delivery of customised handsets and for the maintenance and repair of handsets. The logistics business allows the company to offer best-in-class services and strengthen its relationships with its clients.

Allied was established in 2003 by a team with extensive experience in the EMEA region, as well as knowledge of



Allied shipped approximately  
23 million units in 2011



the cellular telecommunications industry and logistics management services. The team had already identified a tremendous opportunity to conquer Africa in the cellular telecommunications space.

“The reason our company is unique is because the evolution of the Allied business model resulted in the company becoming the independent market leader. We customise and specialise to meet the customer’s requirements. Today we distribute cellular phones to major operators, service providers and retailers in South Africa and selected countries in Africa. Allied ships to over 8,000 retail outlets throughout Sub-Saharan Africa,” says Jason Harmsen, Allied’s GM, South Africa Region.

Allied offers a unique combination of local market expertise and best-in-class business practices, and is ideally suited to capture the continued strong growth expected in the mobile telecoms market in Sub-Saharan Africa. “Allied has a blue-chip customer base across the region,” states Francois Van Eyssen, Allied’s CEO, Africa Region. “The company is expected to increase its revenue more than twofold in 2012 as a result of its continued international expansion and winning some key strategic contracts such as the one it signed in 2010 with Telkom, under which the company acts as a supplier of handsets and ancillary products and third-party logistics services to 8ta, the fourth entrant to the South African mobile

“WE DISTRIBUTE CELLULAR PHONES TO MAJOR OPERATORS, SERVICE PROVIDERS AND RETAILERS IN SOUTH AFRICA AND SELECTED COUNTRIES IN AFRICA”

telecommunications market.” The company is also an exclusive supplier of handsets and logistics services to Virgin Mobile South Africa, the continent’s first mobile virtual network operator (MVNO).

Allied’s expansion strategy reflects Africa’s increasingly important role in the global economy. Economic growth stimulated by development of Africa’s natural resources

is anticipated to lead to consumer-facing sectors growing two to three times faster than those in the OECD countries.

The company has comprehensive agreements with key cell phone manufacturers, including Samsung, Nokia, RIM, Motorola and others, who see Allied as the ideal partner to expand their business in Africa. With Nokia, Allied has entered into a fulfilment contract, as well as distribution agreements in Mozambique and Zambia. And in 2010, the company extended its long-term co-operation with Samsung, entering into a pan-African fulfilment contract covering an additional 18 African countries.

Allied’s contracts reflect a long-term relationship with its partners, supported by its access to diversified distribution channels, including mobile operators, their franchise networks, service providers, retailers and wholesale dealers. Allied makes a high percentage of sales directly to operators, demonstrating its ability to enter into high value-added relationships with its key business customers that deliver above-market gross margins.

“Allied has been rapidly expanding its presence into a group of high-growth African countries, in which it plans to sell cellular products and handset services,



Allied has been rapidly expanding its presence in Africa



with sales volumes growing above 30 per cent annually,” says Jacqueline Cole-Courtney, Group CEO, Allied International Investments. “Since these countries are at different economic and technological stages in the development cycle, Allied has approached these markets with a tailored product offering and a strategy to address specific local needs. Furthermore, the geographical expansion programme is

being conducted in a very cost-effective and efficient manner, from Allied’s six hubs and repair centres located throughout Sub-Saharan Africa.

“Our focus over the next five years is to connect the African continent by offering the best product and services,” she continues. “We will also continue our investment programme which started 10 years ago. Our company is also ensuring that we ‘give

“THE COMPANY IS EXPECTED TO CONTINUE TO GROW STRONGLY, OUTPERFORMING ITS INTERNATIONAL PEERS IN TERMS OF PROFITABILITY AND GROWTH”



Allied provides comprehensive logistics services



The company offers inventory management services

back’ to the local communities where we operate, especially through the education of children and training and development of the indigenous workforce.”

“The company’s operational excellence, strong relationships with both original equipment manufacturers (OEMs) and customers, limited competition, and a large share of value-added and logistics services (such as customisation, procurement and fulfilment) result in top-of-the-industry margins and strong profitability,” comments David Morris, GM, Rest Of Africa Region. “As a result of Allied’s market leadership and unique position in the fast-growing African telecoms market, the company

is expected to continue to grow strongly, outperforming its international peers in terms of profitability and growth.”

Guided by its founders, Allied has a strong and experienced management team, with a highly entrepreneurial and success-oriented culture. Over the last few years, the company’s founders have focused on emphasising clear accountability across the organisation and pushing key customer relationships to the operational level.

The growth of GDP levels across Africa and resulting increase in disposable income, combined with an expanding population and higher mobile penetration rates, have led to increasing demand for mobile devices.





In addition, the market is benefiting from consumers trading up from older handsets to newer and increasingly sophisticated models, such as smartphones.

The mobile telecommunications devices market in South Africa has shown remarkable growth in the last five years (2006 to 2010), with close to 55 million handsets sold throughout the period and sales growing at 13.7 per cent per annum. Other African markets in which Allied has already established its presence, such as Zambia, Namibia and Mozambique to name a few, showed even higher growth rates of above 20 per cent annually.

The company has sales agents in many Sub-Saharan countries, including Angola, Botswana, Uganda, Lesotho, Malawi, Swaziland, Tanzania and Zimbabwe, which gives it the opportunity to expand its footprint rapidly.

This growth is expected to continue in the near future, with international experts expecting over 22 million handsets to be sold in South Africa in 2012 (an 18 per cent increase on 2011) and other markets addressable by Allied growing at 20 to 40 per cent per annum or even above 40 per cent, as in the case of Madagascar, DRC and Angola.

In addition to their importance as a means of communications in a continent where mobile networks are the key communications infrastructure, mobile handsets are the number one aspirational product and a status symbol in Africa, with customers willing to spend a significant share of their income on them. As in more developed markets, a key trend in the African mobile handset market has been

the growing popularity and availability of smartphones. With such devices generating higher margins than basic handsets for Allied, the expected increase in smartphone sales will have a positive impact on the revenues and profitability of the company. Since Africa has relatively low internet penetration rates and low sales of PCs and laptops, attractive and affordable smartphones, netbooks and tablets are the tools that could provide fast connectivity to the internet to the broad population.

After growing at a world-leading average annual real growth rate of over five per cent between 2002 and 2010 and weathering the global downturn better than the rest of the world, Sub-Saharan Africa is projected to grow in real terms by 5.3 per cent and 5.1 per

cent in 2011 and 2012, respectively—faster than virtually any other market. Africa is widely expected to play an increasingly important role in the global economy, with the increasing size and attractiveness of its labour force. According to the global consulting firm McKinsey, Africa's rate of return on foreign investment across various sectors is higher than in any other developing region.

This extraordinary growth has coupled with other crucial structural changes that have positioned the region for strong and sustainable future growth and enhanced its political and macroeconomic stability, such as strengthened political commitment to private sector growth, increased investment in infrastructure and education, trade

**“A KEY TREND IN THE AFRICAN MOBILE HANDSET MARKET HAS BEEN THE GROWING POPULARITY AND AVAILABILITY OF SMARTPHONES”**

Experts predict that over 22 million handsets will be sold in South Africa in 2012

The telecoms sector has been an important driver of growth in Africa



liberalisation, increased fiscal soundness and monetary discipline and reduced debt levels resulting in improving sovereign credit ratings. The region is continuing its reforms towards a more investor / business friendly environment in order to increase integration with the global economy. Further, gradual development of common monetary areas and trade agreements between countries with close geographic proximity has also stimulated broader economic growth in the region. “Allied has positioned itself across the region to benefit from this growth opportunity. Overall, the company’s addressable market comprises 26 countries with a population of over 550 million, which are expected to grow their economies at eight per cent per annum through 2015,” says Cole-Courtney.

Africa has also attracted a significant amount of infrastructure investments amounting to \$45 billion a year and absorbing more than five per cent of total GDP. In particular, as the telecommunications sector has been an important driver of Africa’s economic growth in the last years, investments in (mostly mobile) telecommunications infrastructure have been growing significantly, with a 33 per cent CAGR between 2003 and 2008. Allied has demonstrated strongly that it is perfectly positioned and equipped to take full advantage of this growth. **BE**

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