

Tellumat merges ICT division, forms new business unit

Tellumat has merged its ICT infrastructure assets in a new business unit, Tellumat Integrated Solutions (TIS). The amalgamation of Tellumat Professional Services (TPS), the group's infrastructure consulting and services arm, with two newly acquired companies, CK Solutions (CK) and Structured Connectivity Solutions (SCS), has been a real boon for the group, says Ettiene Visser, MD of the new TIS unit.



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Visser says the merger was motivated by external market forces and the pursuit of internal efficiencies and synergies. The growing local strength of Chinese vendors, including ZTE and Huawei, has dramatically changed the landscape in the communications network infrastructure market. These and other original equipment manufacturers (OEMs) like Ericsson and Nokia offer what local companies cannot in terms of funding, volume discounts and full turnkey capabilities.

Direct engagement

As a result, telco operators are engaging directly with the above-mentioned OEMs, procuring full turnkey solutions and managed services. Since the OEMs also have global agreements with commodity manufacturers of IT infrastructure (fibre optic cabling, batteries, shelters, etc.), this has posed a threat to the local supply of such products.

To combat the slipping position of local channel suppliers, CK invested in becoming a group-approved supplier to a leading multinational telco operator in South Africa two years ago. This paid off when the operator embarked on a multi-billion network upgrade and compelled its OEMs to procure certain approved components from CK.

Authorisation entrenched CK with the operator's OEM suppliers to such an extent that its subsequent approval with other operators went very smoothly as a result. The merger was another master stroke. CK, TPS and SCS have realised key benefits from this. An obvious example is TIS's scale - which in turn increases its appetite for dealing with OEMs. OEMs typically have long payment cycles and complex dealings, which smaller suppliers find hard to absorb.

Synergies unlocked

In addition, the merger has unlocked significant synergies, consolidating CK, TPS and SCS's marketing efforts and bolstering the leaner combined entity with CK's engineering and integration expertise and TPS's professional services capacity.

TIS has further sought to beef up its value proposition by fundamentally rethinking its offering. "Our growth will come from focusing on our vertically integrated solutions, including building our professional services, and a more complete end-to-end offering," says Visser.

TIS is already homing in on offering a full turnkey proposition - with business development outside of telecoms; product development; project management; supply chain management; implementation; fibre reticulation and managed services. As an example, it could offer customers a full turnkey fibre-to-the-home solution deploying the latest technologies in micro trenching. This is despite not having a fibre product division anymore.

Other divisions closed

TIS also closed some of its other commodity divisions that were underperforming because of the OEMs' superior economies of scale. In addition to the fibre product division, this included its battery division and SIM card manufacturing arm. In all three cases, this has proved wise.

TIS has also set its sights on penetrating still deeper into the value chain, with a solutions-orientated innovation, skills and quality service.

Visser notes an instance where TIS has developed a complete LTE 'lamp post site' - implementing sophisticated computer-assisted drawings and simulations. "We sold the principle without actually building anything." Product innovation continues in the areas of cooling, power and site construction solutions.

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