



Innovation is the heart of Blue Label Telecoms

Blue Label Telecoms is celebrating its 10th year as one of the primary distributors of airtime, prepaid electricity, and a range of other products and services to South Africa's retailers and wholesalers.

Mark Levy said: "While many businesses can identify particular milestones that have changed their fortunes, this is not the case with Blue Label. We have been fortunate. We have had 10 years with a lot of special days. Every day has been a game-changer and a defining moment."

The Blue Label culture encourages people to try new ideas and make decisions by giving them the freedom to make mistakes and learn from them. In this way, the company ensures that innovation remains at its core.

The company focuses on three main territories: South Africa, Mexico and India, where it distributes products and services through a national network. "Our foundation product is always airtime, and we add different products and services according to market needs."

"For example, while airtime remains the core, in our South African alone, prepaid electricity is becoming increasingly important. What makes airtime so appealing to distribute any product that can be digitised," Levy said.

"We use our own proprietary software so that we are not paying other companies' switch or transaction fees."

Blue Label listed on the JSE in 2007. The company generates between R400 million and R500 million in cash each year, and since 2010 yielded a dividend, which is finding favour with investors.

In the company's last published results to 31 May 2010, it reported it had facilitated around 500 million transactions each month in South African alone. Its revenue was R17 billion and profit after tax was R265 million.

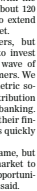
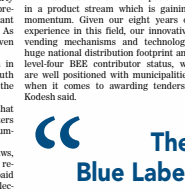
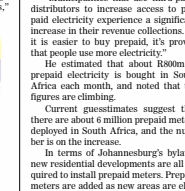
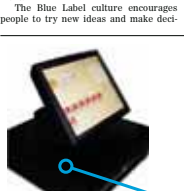
Much of Blue Label's success is built on the recognition that merchants are busy people who are focused on their core business activities, such as selling groceries or supplying fuel. They do not have time to devote to the prepaid side of their businesses.

Therefore, Blue Label concentrates on providing a good service at a compelling price. "We built our business on customer satisfaction and speed to market, using a wide range of technologies to enable our vast distribution network and giving us a winning formula," Levy said.

Today Blue Label has five divisions under its umbrella. Besides the South African and International Distribution segments, there are the Mobile, Technology and Solutions segments - set to launch the organisation on a new, high growth path.

In the past the company has opened out of sight of consumers. However, the company's evolution and product range have created the need for consumers to know that they can buy their prepaid services from a particular trusted outlet served by Blue Label.

"We have created the Blu Approved winning formula," Levy said. "Municipalities that use third-party distributors to increase access to prepaid electricity experience a significant increase in their revenue collections. As it is easier to buy prepaid, it's proven that people use more electricity."



Touchscreen Mobimerchant POS Device

A single point of contact for airtime

Entrepreneurial spirit

Distributing airtime to retailers and wholesalers around South Africa is Blue Label Telecoms' core business, and the service it provides gives businesses a single point of contact through which they can buy products from all the network operators in a convenient manner.

In addition, outlets dealing with Blue Label benefit from economies of scale resulting from the huge volumes the company generates.

Bradley Turkington, chief sales officer at Blue Label Telecoms, said the company's customers also gain by being able to sell an ever-expanding range of digital products from all the network operators in a convenient manner.

"We engage with several major national retail chains, such as Pick n Pay and Shoprite, and supply them with a via email or electronic file transfer, or any other format that suits their operations and infrastructure."

"The file contains PINs that the retailers split up and send to their stores so that consumers can buy their airtime at the store till points," Turkington said.

A number of different solutions are provided to the second-tier national retail chains, such as Rhino Cash and Carry and Boswer, depending on the retailers' needs.

For example, Blue Label can integrate with the retailers' till systems as a result of technology partnerships with around 30 of the major till suppliers.

Sheldon Frank, head of the independent channel at Blue Label Telecoms, said that the way the systems have been designed makes it relatively easy for point-of-sale suppliers to integrate with Blue Label's technology.

He emphasised that "Blu Approved" point-of-sale suppliers have access to the full range of the company's products.

"Many of the retail chains use a variety of different tills in their stores and they may lack enterprise-wide networks and national infrastructure. Therefore, while we make the deals with their head offices, we also service them at store level," Frank said.

"We tailor the solutions to the needs of the particular stores, and some outlets make use of all our solutions so they can better serve their customers' needs," Turkington said.

Blue Label also distributes to the owner-operated, non-franchise corner cafes, so-called mom-and-pop stores, where point-of-sale terminals are usually installed. Blue Label has mobile solutions that can be ideal for less structured operations.

"Supplying products such as airtime has become essential for retailers, and if customers cannot buy their airtime in a store, they will shop somewhere else," Turkington said.

"We also supply airtime vouchers in bulk to wholesalers. These vouchers are distributed without any PINs (personal identification number) on them, so the vouchers have no actual value and wholesalers do not have to pay for them upfront - so they are not worth stealing."

"When customers buy the vouchers at a wholesaler, PINs are drawn down electronically from Blue Label and printed onto the vouchers in real time and in a secure manner. The vouchers are ideal for informal, street corner traders and spaza stores."

"Whenever possible, we try to ensure that payment is required only once the store has been paid by the consumer. Another benefit of this system is that we can store more inventory on the merchants' devices so they have plenty of stock to supply their customers' needs on a real-time basis."

"This means stores are able to maximise their share of a customer's wallet and ensure customer satisfaction," Turkington said.

"At the same time, the company has embraced its new responsibilities, including stakeholder relationships and corporate governance, while developing into a multinational- and global leader in prepaid products and services."

"The mandate is that the next person you employ has to be smarter than you."

Larry Nestadt, chairman of Blue Label Telecoms, said: "The entrepreneurial spirit and high energy levels at Blue Label Telecoms reminds me of the formative years at Investec Bank."

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UniPIN adds new dimension to prepaid electricity distribution

Prepaid electricity takes second place behind airtime purchase as the most in-demand digitised product sold through Blue Label Telecoms' distribution network.

Alan Kodesh, managing director at Blue Label's subsidiary Cgcelec, said that in the past, there may have been a stigma attached to prepaid electricity, as it was perceived as a product aimed at lower-income rural areas.

However, the concept is now being adopted across all levels of South African society, with power utilities following suit.

South Africa has about 217 municipalities. A few do not have any prepaid customers, and only some have prepaid distributors to increase access to prepaid electricity.

"Municipalities that use third-party distributors to increase access to prepaid electricity experience a significant increase in their revenue collections. As it is easier to buy prepaid, it's proven that people use more electricity."

He estimated that about R800m in prepaid electricity is bought in South Africa each month, and noted that the figures are climbing.

Current estimates suggest that there are about 6 million prepaid meters deployed in South Africa, and the number is on the increase.

In terms of Johannesburg's beyond-residential developments are all required to install prepaid meters. Prepaid meters are added as new areas are electrified.

He said that innovation is a key to success, and Blue Label introduced UniPIN to create the company's own prepaid electricity voucher.

"Traditionally, when the consumer buys prepaid electricity from a retailer, the store connects to our switch and we connect to the municipality to process the transaction. However, certain retailers dislike the delays the process can cause at till points, and there is always the issue if the system is down."

"UniPIN solves all these issues. The consumer receives a voucher that is securely printed on a real-time basis. At the consumer's convenience, they send us their meter number and their voucher PIN via their phone in the same way as they would load their phone's airtime."

"Our system identifies which municipality the consumer belongs to, carries out the transaction, and sends an SMS to the consumer containing the token to recharge their meter," Kodesh said.

"Blue Label is therefore positioned in a product stream which is gaining momentum. Given our eight years of experience in this field, our innovative vending mechanisms and technology, huge national distribution footprint and level-40 BEE contributor status, we are well positioned with municipalities when it comes to awarding tenders," Kodesh said.

"UniPIN is in its infancy, having only been active for around one-and-a-half years. However, in that time the company has established 4 000 points of presence, which gives it a respectable foothold in what Levy sees will be an increasingly important market in the years ahead."

The Blue Label culture encourages people to try new ideas and make decisions by giving them the freedom to make mistakes and learn from them.



Airtime pays the way in Mexico

Blue Label's operation in Mexico is in its infancy, having only been active for around one-and-a-half years. However, in that time the company has established 4 000 points of presence, which gives it a respectable foothold in what Levy sees will be an increasingly important market in the years ahead."

"Too many people focus only on technology, and while this is an important element, it is far from being the only consideration. To be successful, you have to consider the entire 'ecosystem' needed to perform the transaction," Levy said.

He noted that telephones often wish to deploy the most sophisticated state-of-the-art solution, when a simpler, more reliable and robust solution may produce a better result.

"Airtime pays the way in our business, and it provides a revenue foundation that supports the cost of our systems and infrastructure. Therefore, every additional product we add will be an increasingly important market in the years ahead."

It is for this reason that Levy insisted that the company is really only just starting to develop. An increasing number of today's products are digital in nature and, as the distributor with the necessary systems and skills of presence to place, Blue Label is ideally positioned to support new products and innovations that come to market in the countries it serves.

Cloud computing and NFC to revolutionise business

Cloud computing is a concept that has been around for some years, but the idea is now being implemented around the world as more technology companies recognise its benefits.

One of its benefits is that applications and added functionality are not resident on a device, but the device can access and use sophisticated applications in a seamless manner, which may prove particularly useful in South Africa where cellular phones are pervasive.

Angelo Roussos, group chief information officer at Blue Label Telecoms, said that as a supplier of solutions, the cloud concept means that the company can host multitenant solutions for other clients.

"They are able to run in a shared environment using our infrastructure, but their information and applications run in a secure virtual environment that is totally separate from other users. This means economies of scale, lower costs and the ability to develop focused skills pools," Roussos said.

Further, he said that there are also benefits to Blue Label taking this route and moving away from owning and managing its own infrastructure.

"This would mean that we no longer need to own servers and we would not have to worry about data infrastructure."

"Not only would this handle our present core operational requirements, but it would also mean that we can increase capacity as required and roll out into new areas far more quickly, most importantly, availability is higher."

We will, therefore, focus on managing the provision of services and applications for ourselves and third parties," Roussos said.

Linked to this future development is NFC (near field communication), which has the potential to revolutionise the way in which many industries carry out their businesses.

Bryan Ormond, chief technology officer for Blue Label Telecoms Mobile Division, said that transactions of almost limitless variety can take place when authorised between NFC devices. The concept is already being tested in environments such as retail supermarkets overseas.

Customers take products off the shelves as usual and touch them to an NFC-enabled device such as a cellphone (the new Google phone, for example, comes with an embedded NFC), as they do so, this effectively "rings up" the purchase.

Checkout is automatic, and as the customer leaves the store, their account is debited or money is taken from her cellphone's electronic wallet.

Even more interesting for retailers is that their stores could be selling even when they are closed, as customers could use their cellphones to touch window display posters to carry out their transactions.

"The sheer convenience is driving take-up around the world," Ormond said. Electronic wallets are also likely to come into their own in this environment, as many people do not wish to allow third parties direct access to their bank accounts. Therefore, they can instruct that their cellphones' wallets should have a limited pre-set amount, such as R200, and top up as necessary."



"Thank you to all our partner networks for making Blue Label what it is today"

"Thank you to all our service providers for ensuring that our business is a success"

Blue Label's Products & Services