



**COMESA Competition Commission**

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**Common Market for Eastern  
and Southern Africa**

**Case File No. CCC/MER/12/30/2020**

**Decision<sup>1</sup> of the Seventy-Fifth (75<sup>th</sup>) Committee Responsible for  
Initial Determination Regarding the Proposed Merger involving  
Alviva Holdings Limited and Tarsus Technology Group  
Proprietary Limited**

**ECONOMIC SECTOR:** Information and Communication  
Technology

**16<sup>th</sup> April 2021**

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<sup>1</sup> In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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## Introduction and Relevant Background

1. On 11<sup>th</sup> January 2021, the COMESA Competition Commission (the “**Commission**”) received a notification for approval of a merger involving Alviva Holdings Limited (“**Alviva**”) and Tarsus Technology Group Proprietary Limited (“**Tarsus**”), pursuant to Article 24(1) of the COMESA Competition Regulations of 2004 (the “**Regulations**”).
2. Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. Pursuant to Article 13(4) of the Regulations, there is established a Committee responsible for initial determinations, referred to as the CID. The Commission submitted its assessment report to the CID on 6<sup>th</sup> April 2021. The decision of the CID is set out below.
4. In accordance with Article 26 of the Regulations, the Commission launched an inquiry to determine whether the merger would substantially lessen or is likely to substantially lessen competition; or would be contrary to public interest in the Common Market. In conducting the inquiry, the Commission wrote to affected Member States to seek their views and those of third parties on the effect of the transaction in their respective territories.

## The Parties

### *Alviva (the Acquirer)*

5. Alviva is a company incorporated in South Africa, with its principal place of business at The Summit, 269 16th Road, Randjespark, Midrand, South Africa 1685. The Alviva Group<sup>2</sup> provides information and communication technology (“IT”) products and services across Africa and operates through three distinct business segments:

#### *i) IT Distribution:*

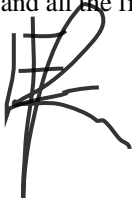
- 5.1. This involves the import and assembly of IT hardware, software and peripherals and subsequent sale via reseller chains and national retail chains. Alviva’s IT distribution business is conducted via the following companies/ brands:

- 5.2. Alviva’s IT distribution business is conducted via the following companies/ brands:

- Axiz: IT infrastructure and software distribution;
- Alviva Services: IT hardware and software services and support;
- Obscure: security solutions;
- Pinnacle: manufacture and distribution of own and other brands of IT hardware equipment and peripherals; and

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<sup>2</sup> Being Alviva and all the firms it controls.



2

- VH Fibre: fibre optic distribution and installation.

5.3. The IT distribution business includes the distribution of several well-known brands for original equipment manufacturers including Adobe, Cisco, Dell, HP, IBM, Intel, Lenovo, McAfee, Microsoft, Norton, Nuance, Proline, Veritas, Suse and Zimbra.

*ii) Services and Solutions:*

5.4. Services and Solutions, including systems integration and IT solutions, including cyber security, application development, artificial intelligence solutions and renewable energy projects.

5.5. This business segment offers a wide variety of services and solutions through various companies/ brands:

- Datacentrix: offers digital business solutions, managed services and technology solutions to businesses via partnerships with several brands including Aruba, Dell, HP, Huawei, McAfee, Sage and Symantec;
- Digital Generation: provides custom-made IT business solutions;
- IntDev Internet Technologies: offers customised IT and communication solutions to business;
- Centravoice: provides information and communications technology products and services to customers;
- Solareff: offers Solar Photovoltaic solutions for medium to large-scale rooftop and ground-mounted installations;
- GridCars: develops electric vehicle charge-point software management systems/ charge points;
- Sintrex: provides IT infrastructure management;
- Merlynn: provides risk management services to businesses utilising artificial intelligence technology; and
- SynergERP: provides end-to-end ERP software solutions to companies involved in manufacturing, distribution and business services.

*iii) Financial services:*

5.6. Financial services, including financial solutions to business entities in the small and medium sized enterprises and commercial sector for office automation and technology-based equipment.

5.7. Alviva's financial services segment operates through Centrafin, which provides asset-based finance.

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6. The Alviva Group is active in 13 Member States of the Common Market<sup>3</sup>, being the Democratic Republic of Congo, Eswatini, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Uganda, Zambia, and Zimbabwe.
7. Table 1 below lists Alviva's subsidiaries that are active in the Common Market:

*Table 1 – Alviva's subsidiaries in the Common Market*

<b>Firm</b>	<b>Country of incorporation</b>	<b>Registered address</b>
Alviva International Co Limited	Mauritius	6 <sup>th</sup> Floor, Tower A CyberCity Ebene Mauritius
Appleby Solutions Limited	Zambia	Plot 11293 Nchoncho Road Light Industrial Park Lusaka Zambia
Axiz Proprietary Limited	South Africa	International Business Gateway New and 6 <sup>th</sup> Roads Midrand South Africa 1685
Axizworkgroup Kenya Limited	Kenya	Plot 47, Rhapta Road Nairobi Westlands District Kenya
Datacentrix Proprietary Limited	South Africa	Sage Corporate Park North 238 Roan Crescent Old Pretoria Road Midrand South Africa 1685

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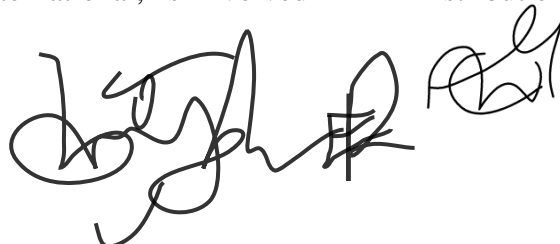
<sup>3</sup> In this decision, Common Market is used synonymously with the term COMESA.

DG Store SA Proprietary Limited	South Africa	The Summit 269 16 <sup>th</sup> Road Randjespark Midrand South Africa 1685
GridCars Proprietary Limited	South Africa	Clearwater Crossing Corner of Hendrik Potgieter Road and Christiaan de Wet Road Stubens Valley South Africa 1724
Infrasol Proprietary Limited	South Africa	Sage Corporate Park North 238 Roan Crescent Old Pretoria Road Midrand South Africa 1685
Obscure Technology Proprietary Limited	South Africa	The Summit 269 16 <sup>th</sup> Road Randjespark Midrand South Africa 1685
Solareff Proprietary Limited	South Africa	Clearwater Crossing Corner of Hendrik Potgieter Road and Christiaan de Wet Road Stubens Valley South Africa 1724

SynergERP Proprietary Limited	South Africa	The Summit 269 16 <sup>th</sup> Road Randjespark Midrand South Africa 1685
VH Fibre Optics Proprietary Limited	South Africa	The Summit 269 16 <sup>th</sup> Road Randjespark Midrand South Africa 1685

8. Specifically, Alviva's activities in the Common Market are as follows:

- *Democratic Republic of Congo*: Alviva, through Alviva International Co Limited ("Alviva International") and Obscure Technology Proprietary Limited ("Obscure"), is involved in IT Distribution in the Democratic Republic of Congo.
- *Eswatini*: Alviva, through Axiz Proprietary Limited ("Axiz"), Datacentrix Proprietary Limited ("Datacentrix") and DG Store (SA) Proprietary Limited ("DG Store"), is involved in IT Distribution and the resale of IT products in Eswatini.
- *Ethiopia*: Alviva, through Alviva International, is involved in IT Distribution in Ethiopia.

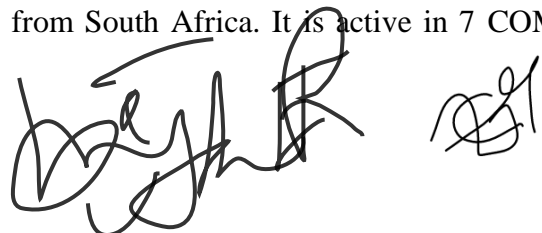


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- *Kenya*: Alviva, through Alviva International, Datacentrix and Axiz, is involved in IT Distribution and the resale of IT products in Kenya.
- *Madagascar*: Alviva, through Alviva International and Datacentrix, is involved in IT Distribution and the resale of IT products in Madagascar.
- *Malawi*: Alviva, through Alviva International, Axiz and VH Fibre Optics Proprietary Limited (“VH Fibre”), is involved in IT Distribution and fibre optics in Malawi.
- *Mauritius*: Alviva, through Alviva International, Obscure, Axiz, Datacentrix, DG Store and Solareff Proprietary Limited (“Solareff”), is involved in IT Distribution, the resale of IT products and solar optics in Mauritius.
- *Rwanda*: Alviva, through Alviva International and Obscure, is involved in IT Distribution in Rwanda.
- *Seychelles*: Alviva, through Alviva International, Axiz and Datacentrix, is involved in IT Distribution and the resale of IT products in Seychelles.
- *Somalia*: Alviva, through Axiz, is involved in IT Distribution in Somalia.
- *Uganda*: Alviva, through Alviva International, Axiz and Datacentrix, is involved in IT Distribution and the resale of IT products in Uganda.
- *Zambia*: Alviva, through Alviva International, Obscure, Axiz, Appleby Solutions Limited, Datacentrix, VH Fibre, DG Store and SynergERP Proprietary Limited, is involved in IT Distribution, the resale of IT products and fibre optics in Zambia.
- *Zimbabwe*: Alviva, through Alviva International, Obscure, Axiz, DG Store, Solareff, Infrasol Proprietary Limited and Gridcars Proprietary Limited, is involved in IT Distribution, the resale of IT products and solar optics in Zimbabwe.

*Tarsus (the Target)*

9. The parties have submitted that Tarsus is a company incorporated in accordance with the laws of South Africa with its registered address at: 1 Ruacana Street, Waterfall Commercial District, Buccleuch Extension 9, Sandton, South Africa 2090.
10. The Tarsus Group distributes IT hardware products (such as personal computers, notebooks and print hardware) and peripherals (such as ink and toner) to resellers across Africa. It distributes several well-known OEM brands including Dell, HP, Lenovo, Targus, Acer, Canon, Verbatim, Kingston, Epson and Microsoft.
11. It offers additional services to its resellers, including credit funding, stock availability and logistics and other support. In South Africa, Tarsus additionally offers IT solutions and services, including cloud computing, data security and risk management. It does not engage in these activities in the Common Market.
12. Tarsus has branches in South Africa, Botswana and Namibia. It supplies the relevant Member states in the Common Market from South Africa. It is active in 7 COMESA



Member States, being Kenya, Malawi, Mauritius, Eswatini, Uganda, Zambia and Zimbabwe. Tarsus' activities in the Common Market are limited to the distribution of IT products.

## **Jurisdiction of the Commission**

13. Article 24(1) of the Regulations requires 'notifiable mergers' to be notified to the Commission. Rule 4 of the Rules on the Determination of Merger Notification Thresholds and Method of Calculation (the "**Merger Notification Thresholds Rules**") provides that:

*Any merger, where both the acquiring firm and the target firm, or either the acquiring firm or the target firm, operate in two or more Member States, shall be notifiable if:*

- a) the combined annual turnover or combined value of assets, whichever is higher, in the Common Market of all parties to a merger equals or exceeds COM\$ 50 million; and*
  - b) the annual turnover or value of assets, whichever is higher, in the Common Market of each of at least two of the parties to a merger equals or exceeds COM\$ 10 million, unless each of the parties to a merger achieves at least two-thirds of its aggregate turnover or assets in the Common Market within one and the same Member State.*
14. The merging parties have operations in more than two COMESA Member States. The parties' combined turnover in the Common Market exceeds the threshold of USD 50 million and they each derive turnover of more than USD 10 million in the Common Market. In addition, the merging parties do not achieve more than two-thirds of their respective COMESA-wide turnover within one and the same Member State. The notified transaction is therefore notifiable to the Commission within the meaning of Article 23(5)(a) of the Regulations.

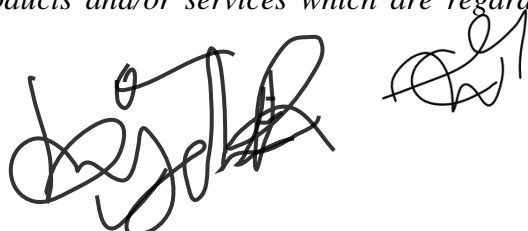
## **Details of the Merger**

15. The Proposed Transaction contemplates Alviva acquiring 100% of the share capital in Tarsus from the Seller. It was submitted that the transaction would enable Alviva to expand its IT distribution and services businesses both in terms of size, customer segments and geographic scope. In this regard, it was submitted that Tarsus has greater exposure and activities in the retail customer IT distribution segment (where Alviva's activities are limited), has a significant African footprint and a larger and more established cloud solutions business than Alviva.

## **Relevant Markets**

### ***Relevant Product Market***

16. Paragraph 7 of the Commission's Guidelines on Market Definition states that a "*relevant product market comprises all those products and/or services which are regarded as*

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*interchangeable or substitutable by the consumer/customer, by reason of the products' characteristics, their prices and their intended use”.*

17. The activities of the merging parties in the Common Market overlap in relation to the wholesale distribution of IT products (including hardware, and software) and the related services of after-sales support, training services to customers. Wholesalers act as intermediaries between the global vendors and the value-added resellers, retail distributors or large corporate customers.
18. Distributors supply a range of IT products such as personal computers, servers, printers, scanners, storage devices, networking equipment, packaged software and various digital consumer products and services in order to provide the customer with a ‘one stop shop’ facility. The European Commission has previously considered that the wholesale distribution of IT products could be considered as one single product market<sup>4</sup>, noting in particular that demand is directed towards a variety of IT products.
19. The CID likewise observed that from a supply perspective, manufacturers are engaged in the production of a range of hardware and software products for different applications, and distributors offer a wide product range and one-stop-shop solutions. From a demand perspective, the ability for different categories of IT products to perform similar range of functions as a result of a general industry trend towards product convergence have increased competition between the different categories. The emergence of cloud services further blurs the distinction between different IT products.
20. The CID considered that a sub-segmentation by product category (for instance, servers, storage devices) would not be appropriate as the transaction concerned distribution and not the manufacturing level where narrower markets may be more relevant for the competitive assessment.
21. On the basis of the foregoing assessment, the relevant product market for purposes of this transaction is construed as the market for the wholesale distribution of IT products.

### ***Relevant Geographic Market***

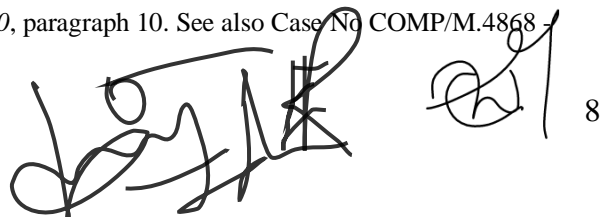
22. The Commission’s Guidelines on Market Definition define the relevant geographic market as follows:

*“The relevant geographic market comprises the area in which the undertakings concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighbouring areas because the conditions of competition are appreciably different in those areas”.*

23. In ***TECH DATA/COMPUTER 2000***, the European Commission considered that the market for the wholesale distribution of IT products is national in scope, having regard

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<sup>4</sup> Case No. IV/M.1179 - *TECH DATA/COMPUTER 2000*, paragraph 10. See also Case No COMP/M.4868 - *AVNET / MAGIRUS EID*, paragraph 10.



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to language and local presence requirements<sup>5</sup>. The merging parties have, on the other hand, submitted that having regard to the actual way in which they conduct operations across several borders without the need for branch offices, it is arguable that the relevant geographic market is in fact regional or even global in scope.

24. The CID considered that large customers could find alternative sources for high-volume requirements, e.g., through direct supply from manufacturers or international wholesalers. However, the same may not apply to smaller dealers who purchase at a lower scale and therefore may be limited in their ability to procure from alternative sources outside their national borders, which involve additional costs and logistical arrangements.
25. Prices of IT products differ across borders and the time taken for delivery may limit the competitiveness of supplies from international distributors compared to supplies procured from a distributor operating within national borders. In the same context, the provision of the related after-sales services of training and technical support would require a national presence on the part of the wholesale distributor. It is also noted that in some jurisdictions, distributors are required to be licensed under the relevant national legislation governing the ICT sector.
26. The CID noted that the acquirer supplies its products into the Member States through local affiliates, while the target's products are sourced from South Africa. Notwithstanding the existence of some cross-border trade, the CID considered that, for reasons set out above, the market leaned more towards a national delineation. The CID thus defined the relevant geographic market for the wholesale distribution of IT products as national in scope, consisting of the following Member States where the parties' operations overlap: Eswatini, Kenya, Malawi, Mauritius, Uganda, Zambia and Zimbabwe.

### **Competitive Assessment**

27. The merging parties submitted their estimated market shares as per Table 2 below.

***Table 2 - Merging Parties' Estimated Market Shares in the National Markets for Wholesale Distribution of IT Products***

<b>Member State</b>	<b>Merging Party</b>	<b>Estimated Market Share (%)</b>
Eswatini	Alviva	0% -5%
	Tarsus	5%-10%
Kenya	Alviva	0% -5%
	Tarsus	0% -5%
Malawi	Alviva	0% -5%
	Tarsus	0% -5%
Mauritius	Alviva	0% -5%
	Tarsus	0% -5%
Uganda	Alviva	0% -5%
	Tarsus	0% -5%

<sup>5</sup> Case No. IV/M.1179 - *TECH DATA/COMPUTER 2000*, paragraph 16

Zambia	Alviva	0% -5%
	Tarsus	0% -5%
Zimbabwe	Alviva	5%-10%
	Tarsus	0% -5%

28. The CID observed that the merging parties have relatively low market shares in the relevant geographic markets identified. In particular, in each of Kenya, Malawi, Mauritius, Uganda, and Zambia, the combined market share of the merging parties is estimated to be [5%-10%]. In Eswatini, while the merger will result in a relatively considerable market share accretion of [5%-10%], the acquirer’s pre-merger market share was less than [0%-5%], and therefore the combined market share post-merger would not be significant. In Zimbabwe, the merging parties will have an estimated combined market share of [10%-15%] post-merger with a market share accretion of [0%-5%]. This notwithstanding, the parties will face competition from other players which include Tricontinental Limited, Esquire, Drive Control Corporation, First Distribution, and Red Dot Distribution.
29. The CID concluded that the transaction will not result in the creation nor strengthening of a dominant position on the relevant markets. Further, the markets are characterised by the presence of numerous competitors.
30. With regard to barriers to entry in the relevant markets, the CID established that they were likely to manifest in the form of partnerships with the suppliers and vendors, capital investment in infrastructure such as warehousing or logistics chain. According to the merging parties, the average capital cost needed to successfully export/distribute IT products to the Common Market ranges between approximately USD 1 million and USD 3 million, depending on the scope of the business/product line. Having regard to the relatively high number of players operating in the Common Market, the CID considered that the barriers to entry are not prohibitive.
31. Having regard to the above assessment, the CID considered that the Proposed Transaction would not frustrate trade between Member States in view of the absence of any foreclosure concern in the Common Market.

### **Third-Party Views**

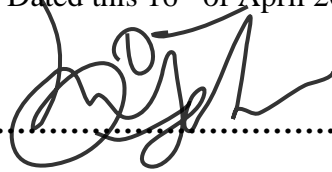
32. Submissions were received from the Competition Authority of Kenya, the Competition Commission (Mauritius), the Competition and Consumer Protection Commission (Zambia), the Fair Trading Commission (Seychelles), the Conseil de la Concurrence de Madagascar, and the Trade Competition and Consumer Protection Authority (Ethiopia) who confirmed that the transaction was unlikely to raise competition concerns as a result of the relatively low market shares of the merging parties in the relevant markets within the Common Market.

### **Conclusion**



33. Based on the foregoing reasons, the CID determined that the merger is not likely to substantially prevent or lessen competition in the Common Market or a substantial part of it, nor be contrary to public interest. The CID further determined that the transaction is unlikely to negatively affect trade between Member States.
34. The CID therefore approved this transaction. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 16<sup>th</sup> of April 2021



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**Commissioner Brian M. Lingela (Chairperson)**



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**Commissioner Justice Charlotte Wezi Malonda**



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**Commissioner Ellen Ruparanganda**