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AFRICAN BUSINESSES ARE ON A DIGITAL JOURNEY – ARE YOU ON-BOARD?

African businesses are on an exciting and transformative digital journey. As more services and products move online, new business models are unfolding across the continent – at the heart of which is connectivity.

Ten years from now, business in Africa will look unrecognisable from today. By 2025, internet penetration is expected to reach 50% of the continent, with the number of smartphone users rising to 360 million, according to McKinsey & Company. That's double the current number of smartphone users in the United States.

Greater access online will have a profound effect on the way Africans live and work, and will transform the way the business community operates and delivers services to customers. This digital transformation is taking place across the continent right now, and there are a number of key trends that businesses should already be paying attention to.

Money on the mobile



Mobile banking is a major trend that is currently disrupting traditional business models in Africa.

The region in fact has the highest levels of mobile money penetration in the world. According to GSMA Intelligence, it accounted for more than half of the 255 live mobile money services across the globe in 2014, and over half of African mobile operators have already launched mobile money services. As well as the obvious benefits to customers that previously had no access to banking services, mobile money is fostering an ecosystem for mobile money providers, telecoms operators and third-party organisations to facilitate transactions to different industry verticals.

Take utilities as an example. Mobile money users in the region could receive their salary into a mobile money account, and in turn use it to pay a utility bill

digitally since the funds are already available in electronic form. This provides a more convenient and secure platform for businesses and their customers to exchange payments.

Countries such as Nigeria and Kenya have become powerful examples to the world of how mobile money can deliver services to huge unbanked populations, seriously disrupting traditional banking and retail models in the process.

Successful mobile money platforms are in fact prompting the traditional banking sector in Africa to up its game.

High-cost branches cannot survive in their traditional form and so a new focus on customer experience has led organisations to experiment with different models, such as assisted self-service, in-store branches, full-service branches, community centres and flagship stores.

This in turn is also driving the need for more reliable and secure connectivity across the region.

Advertising in the digital age

Other digital services are also playing a part in transforming business across Africa.

Digital advertising, for instance, is helping to make up for traditionally low advertising spending levels across Africa.

Social media is taking centre stage for many brands. Facebook claims it has 100 million people coming to its site every month across the African continent, and the social media giant has targeted advertising partnerships in the region. In 2015, it opened its first African office in Johannesburg to expand its business



across the continent, and, in particular, tap into the large market for the social network to earn advertising revenue.

As a mobile-first continent, there is expected to be a big push from businesses into mobile advertising.

In fact, the market for mobile advertising via SMS and apps has been developing fast, and is expected to become a considerable component of total advertising in Africa in the coming years.

Businesses are being urged to focus marketing budgets on mobile-enabled campaigns rather than traditional desktops and personal laptops – adjusting their above-the-line (ATL) digital ad spend accordingly.

According to Informa Telecoms and Media, African telecoms firms are expected to generate \$1.3 billion in advertising revenue by 2016. The research firm expects mobile operators to generate these revenues from the likes of SMS, MMS, mobile apps, downloads and streaming advertisements.

More sophisticated digital marketing practices will also help hook a new generation of African consumers online.

An e-commerce ecosystem

Mobile banking and digital advertising are also helping to fuel innovation and growth in African e-commerce. According to McKinsey & Company, African e-commerce sales are expected to reach an impressive \$75 billion by 2025.

A combination of increased spending power and internet access is driving the payments of goods and services online, as well as inspiring a new generation of start-up e-commerce businesses.

Countries such as Senegal, Mozambique, Nigeria, South Africa and Kenya are leading the way in developing vibrant

e-commerce markets. Online retailers and start-ups in these countries are finding new ways to bring both local products and popular US and European brands to consumers across the region.

Jumia, for example, is the largest online retailer in Nigeria and is making serious headway across the rest of the region since its inception in 2012. Aiming to become Africa's answer to Amazon, it now operates in 9 countries and its parent company, Africa Internet Group, secured over \$300 million from its latest round of funding. This includes backing from MTN Group and Goldman Sachs.

Disruptive digital start-ups like these can only thrive with more sophisticated connectivity in place.

The tech trend of the decade

There are other more technology-driven trends on the horizon that will also have a major role to play in the development and advancement of African businesses.

One of these, which is already gaining major traction in other regions and is perhaps the most talked about technology trend of the decade, is the Internet of Things (IoT).

With 50 billion devices expected to be connected globally by 2020, the potential for IoT is enormous, and no more so than in Africa. In fact, International Data Corporation predicts Africa will be home to 1 billion connected devices by 2020.



IoT has the ability to transform industries as far and wide as utilities, defence, agriculture, power and mining, helping them to drive efficiency, control inventory and track assets. From connected cars and mines, through to connected vineyards and cargo containers - you name it, businesses are finding ways to expertly connect it.

Home to some of the region's most advanced networks, South Africa looks set to lead the way in Africa and is expected to have an IoT market worth \$2 billion by the turn of the century.

In Johannesburg, for example, there have been trials of smart metering that use a load-limiting model, which is designed to ensure households maintain power supply during rolling national blackouts. This demonstrates how there can be a very powerful business case for IoT across

the region, which can help overcome the limitations of basic infrastructure.



Clouds forming on the horizon

Businesses in Africa are also pushing ahead with the migration of services to the cloud.

Cloud traffic is expected to grow by 83% in Middle East and Africa by 2019, according to the Cisco Global Cloud Index.

Enterprise cloud computing on the continent has so far been driven by large enterprise and multinational organisations expanding their presence across the region. By migrating more of their IT infrastructure, applications and processes into the cloud, companies are recognising that it can help drive efficiencies and reduce costs.

Growing confidence from enterprises and governments in trusting the cloud with their mission-critical data looks set to tip cloud adoption into the mainstream. Early adoption could give businesses a competitive edge – helping to reduce costly infrastructure and increase data-driven decisions.

Equally integral will be the development of more sophisticated data centre facilities. Investment in local data centre facilities is rising across the region, as telecoms providers aim to improve internet access and open up new opportunities in cloud services.

A minority of content accessed in Africa is currently stored locally. Accessing content stored overseas increases latency, which slows down services such as video streaming and drives up pricing for customers.

Developing data centre facilities to international standards is the logical next step for the market, helping to improve quality of internet services, bring down costs and further attract major content players to the region.

Data centre hubs are beginning to emerge across the continent. Kenya is one of the region's more advanced markets and experienced early investment in its data centre facilities. The country acts as a financial and manufacturing hub for the region and so possesses considerable demand from enterprise customers for data centre services.

The East Africa Data Centre – part of the Liquid Telecom Group – was opened in 2013 and has already played an important

role in supporting banks, mobile network operators, ISPs and cloud solutions providers in the country and beyond. In 2014, the facility was chosen by the Telecommunications Service Providers Association of Kenya (TESPOK) to host the Kenya Internet Exchange Point (KIXP), helping Kenya ISPs to easily exchange traffic within the country without the need of multiple international hops.

Networks critical for Africa's digital transformation

Africa's digital transformation can only happen if the region's telecoms infrastructure keeps up with the pace of innovation. More reliable, secure and sophisticated forms of connectivity will only help African businesses grow faster.

Liquid Telecom has played a major role in deploying advanced fibre networks across Africa, building the continent's largest independent cross-border fibre network, which today stretches over 21,000km.

This is providing an IP backbone that is truly helping to keep regional traffic within the continent - reducing latency and improving end user experience.

In African cities, businesses are looking for higher broadband speeds, as well as greater network resiliency and security.

Through deploying more metro networks, Liquid Telecom is already helping companies in nine major African cities, including Nairobi in Kenya, Harare in Zimbabwe and Kampala in Uganda.

All this additional infrastructure is bringing the opportunity to deliver services using the latest standards and equipment, providing African enterprises with cost effective, resilient and secure connectivity. It is empowering African business with dedicated and scalable bandwidth, which can be used to offer advanced services such as co-location, SIP, network security and cloud.

While Western companies wrestle with how to repurpose or overhaul legacy IT infrastructure, African businesses have an opportunity to leapfrog ahead with mobile, cloud and IoT adoption.

According to Frost & Sullivan, the ten most valuable start-ups globally are estimated to have a value of \$172.7 billion. And all of them have embraced a digital platform business model.

Africa will be next. Be it across mobile banking, digital advertising or e-commerce – more digital businesses and innovation is on its way across Africa, and enterprises of all sizes must get on-board to stay ahead.

