



Mobile Internet Says “Hello Africa”

by S. Dupon

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Mobile internet says: “Hello Africa”

Can Africans do with the internet what they've done with mobile phone? It certainly looks like some mobile giants are having a go at it.

As the 90's came to an end a lot of telecom professionals believed doomsday was nigh with the approach of the new decade. None of those skilled professionals would have seriously accepted the notion that of 1 out of every 3 Africans would own a mobile phone within ten years. Yet, come 2010, that is exactly where the industry is at. Could all these people be using mobile internet in the coming decade? Should we seriously believe that? Yes, we should.

If mobile operators in Sub-Sahara Africa want to succeed in their efforts to grow mobile internet they'll have to create the capacity to consume. Africa's 4 A's model in Figure 1 can help us analyze what they need to do.

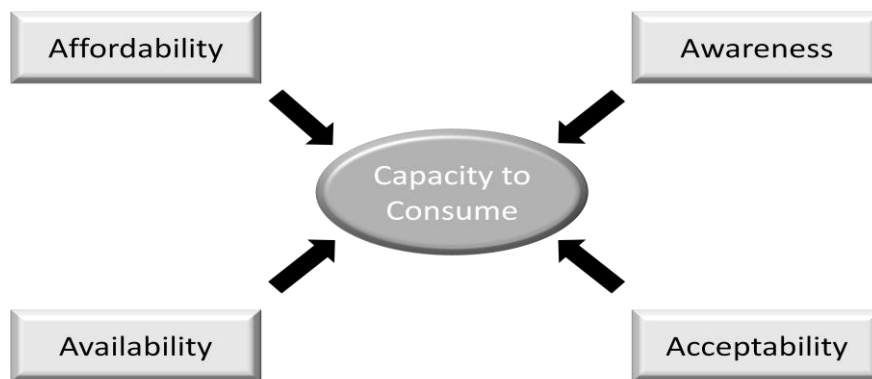


Figure 1: 4 A's model. C.K. Prahalad

ACCEPTABILITY

A product or service becomes acceptable to consumers when they see value in it. The value of internet in Africa will differ from what we're used to in Europe. Moreover, what's valuable for a city dweller isn't necessarily so for someone in a more agricultural setting. For instance, illiteracy is more prevalent in rural Africa so services will have to be adapted to that. Value can also come from educational or health applications sponsored by international organizations. These can help promote acceptance amongst consumers.

MTN has launched mobile television in a number of the countries where they're active. It will be interesting to see what effect the 2010 world cup has on consumer uptake of this service.

As many Africans have family abroad, the use of VoIP might grow acceptance of mobile internet. This is a challenge for mobile operators who will need to avoid cannibalization of their classic services.

AVAILABILITY

Availability is all about distribution. Can mobile internet be brought to a mass consumer base? Two elements play a key role in this. First, Africa needs to connect efficiently to the rest of the world. Secondly, 3G and higher mobile networks need to be deployed in Africa's rural areas as well as in urban areas.

Africa has long depended on satellites for its internet connection to the rest of the world. This made it impossible to create a mass offering. A host of undersea cable initiatives will change that. On 12 June 2009 The East African Marine System cable landed in Mombasa, Kenya and unlocked East Africa. Later last year Globacom's GLO-1 opened up West Africa when it arrived in Lagos, Nigeria. Many more initiatives will unlock Africa even further in 2010 and 2011 (see Figure 2).

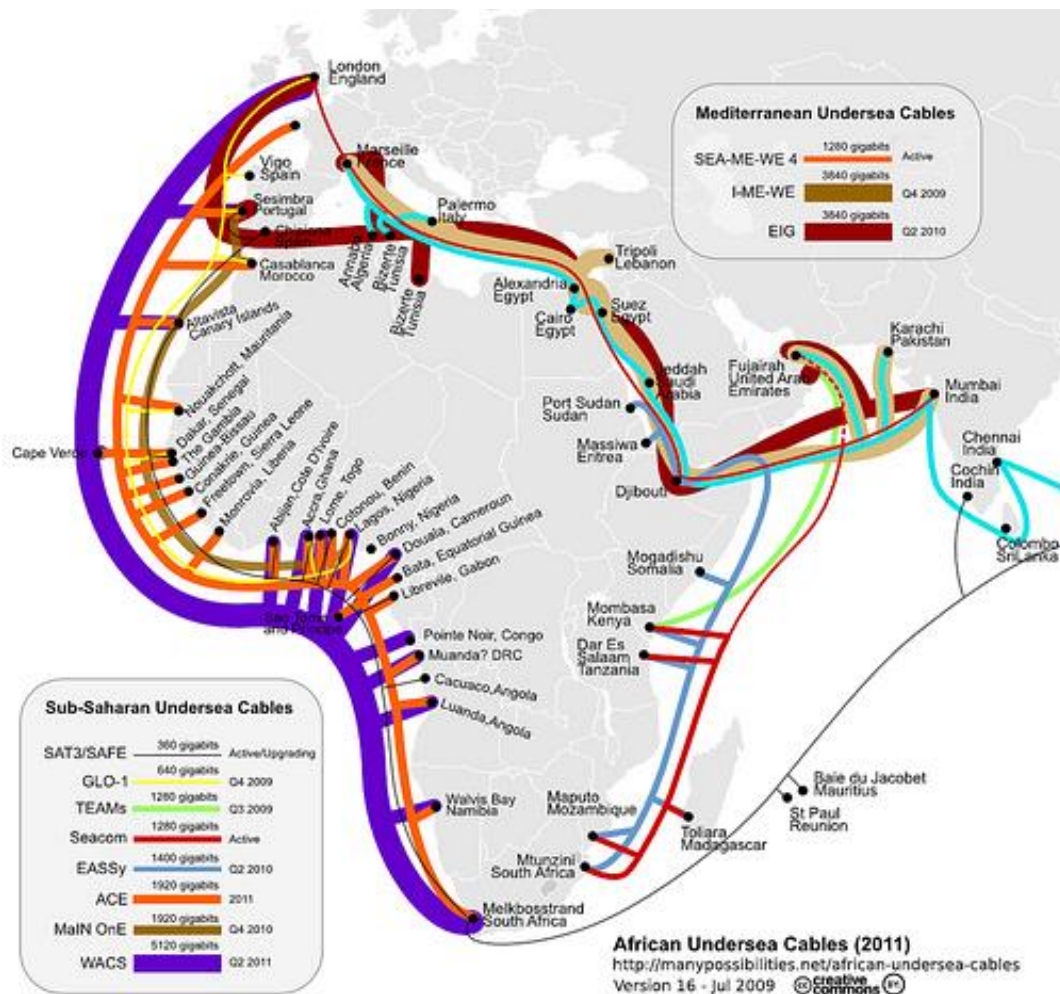


Figure 2: Undersea Cable initiatives

Large mobile operators in Africa like MTN, Zain, Vodafone and Tigo all have 3G and 3.5G products in their markets. In many countries these products are offered only in urban areas. To have the same reach as mobile phones they will have to extend the geographical spread of their 3G and 3.5G networks into more rural areas.

AFFORDABILITY

With 80% of Africans living on less than \$2USD a day, decisions are based more on affordability than on value for money. Much like the mobile phone, internet will attract more users as it becomes more affordable.

As more fiber cable connects Africa to the rest of the world international connectivity cost will drop for operators. They in turn will be able to lower consumer prices.

At the Mobile World Congress Huawei announced a solution that they claim will reduce mobile broadband costs by 95%. This will allow operators to lower prices without sacrificing profit margin.

In the meantime some operators have come up with creative solutions. For example, Vodafone has started its own internet cafes in Ghana. This makes the internet much more affordable as people do not need to invest in hardware and software.

AWARENESS

Our final A, Awareness, relates to the way operators communicate and promote the services they offer. Mobile internet will target existing customers. The communication channels operators have in place today should be able to effectively promote their mobile internet offer.

We can conclude that all key elements are in place for mobile internet to take off in Sub-Saharan Africa in the coming years. That said, operators will have to monitor cost and revenue to pace investments in their network and make sure that they are sufficiently fast to service increasing consumer demand. Figure 3 shows that although Africa is lagging behind, once mobile internet takes off subscriber growth will be exponential.

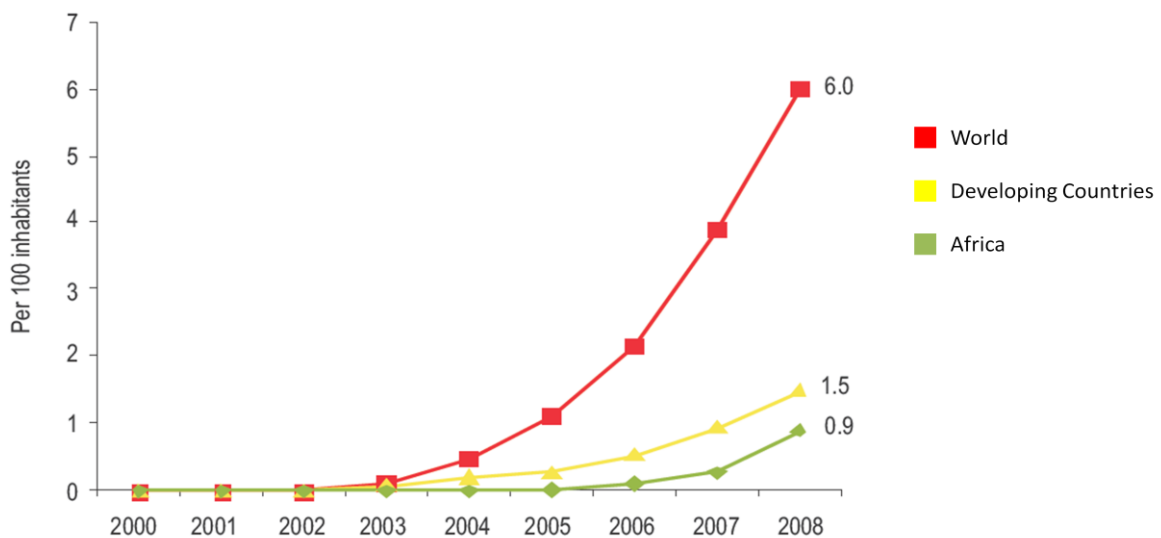


Figure 3: Mobile broadband subscribers

(source: ITU)

Today is also the time to start engaging with consumers and to find out what added value mobile operators can bring beyond network capacity. These value added services will make revenue created by mobile internet sustainable as prices keep dropping.

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