FEATURE | OPENWAVE

CHRIS GOSWAMI, DIRECTOR OF PRODUCT MANAGEMENT, OPENWAVE, BOOTH D25, EXPLORES OPERATOR OPPORTUNITIES IN THE WORLD'S FASTEST GROWING TELECOMS MARKET.

The Digital Continent

Between the Atlantic and the Indian oceans lies a land of opportunity. A mobile market growing so rapidly that the former darling economies of Brazil, Russia, India and China may soon struggle to keep up. I am of course referring to Africa and the opportunities there now available to telecoms providers. For some time, South Africa has been the jewel in the crown but since the rapid uptake of mobile technologies in central and sub-Saharan Africa, a new market of opportunity is opening up for mobile operators. However, this opportunity doesn't come without its risks and hurdles to overcome. It's possible to get the most out of Africa, but it takes an understanding of the market drivers, the challenges it raises and the direction in which this complex array of markets is headed.

A CONTINENT OF CONTRASTS

The mobile phone is now considered as essential as money. Being able to make and receive calls is so important that even the under-privileged are prepared to pay for it. Indeed, as developing world incomes rise, spending on mobile phones grows faster than anything else including energy and basic essentials. At the beginning of this year we saw the 4 billionth mobile subscriber arrive taking worldwide mobile penetration to over 60%. This brought the penetration of mobile handsets across Africa to over 40% and continued growth here is a certainty. In fact, Africa is the fastest growing mobile region in the world, making up 10% of the world's mobile market and expanding at a rate of well over 30% year on year. In hard numbers this equals over 400 million mobile subscriptions in Africa. Compare this with North America, which has approx 300 million mobile subscriptions and growth around 6%, and Africa starts to become an interesting prospect.

Much of this interest goes beyond plain old voice services. As the original wave of voice enablement continues to run, a second, newer wave of growth has begun and is now underway. The second wave is based on data and information services. In the words of David Edelstein, of the Gramene Foundation "…there is a big shift from holding the phone to your ear, to holding it in your hand".

THE MOTHER OF INVENTION

Africa is a harsh environment geographically, politically, and economically. Environmental factors must be overcome such as poor electricity supply to rural areas, high cost of backhaul and low levels of income. It is a land of varying political stability and cultural diversity. From north to south and east to west, this is a continent of many nations, governments of varying stability, and rich and contrasting traditions. It is also fast becoming a crowded market with fierce competition. Local players compete with Middle Eastern giants such as Zain and Etisalat, as well as the traditional European Goliaths such as Orange and Vodafone. Lastly, it is a market of low spend – predominately prepaid with high churn rates and intense downward pressure on pricing.

Despite these factors – or to be more accurate because of them – innovation has become the key tenet on which these markets are based. It has been seen over and over again that the right applications marketed in the right way can enjoy massive take up. Africa has become a hothouse of these innovations that include services which, in fact, lead the world. For example:

- Dynamic Tariffing (MTN) – where the cost of calls is adjusted every hour per network cell depending on level of usage. This can result in > 90% discount on calls made at, say, 4am and generates on average 20-30% more calls in areas where it is in operation.
- Data service such as Farmer's Friend (MTN, Google and Gramene Foundation). Ask a question about your livestock or crops using text and get an auto-generated answer from a farming database.
- Borderless Roaming (various operators) where users can roam between adjacent African countries and enjoy their home network rates.
- Safaricom's M-PESA –now the most widely deployed mobile money scheme in the world with equivalents from MTN and Zain and copied over 130 times in new markets around the world.
- Schemes launched in Nigeria and Ghana to combat the spread of counterfeit drugs using codes embedded within scratch panels on genuine drug packages which are texted to a special number for verification. There are also clinic finders, healthcare applications - the list goes on.

The fascinating point here is that almost none of these services are available in Western "mature markets". As in other areas, Africa's telecoms industry is developing a tendency to leap-frog counterparts in the more developed markets.

These applications continue to fuel and be fuelled by the rise in micro entrepreneurs in Africa. Globally, micro businesses account for 50-60% of the worldwide economy. In Africa this number is over 90%. These are businesses of one or two people working together – rickshaw drivers, market traders, farmers, fishermen, craftsmen - who have been dramatically helped by the introduction of mobile communications and they bring a sizeable, and still largely untapped, opportunity for mobile operators.

So where are these developments leading? What's next? The end point, as in developed markets, is open internet services and applications.

BRINGING THE MOBILE WEB TO AFRICA – PHONE AS A PC

Internet services and applications on handsets and netbooks will be far more popular in emerging economies where the alternatives are few and far between than in the developed economies where there are many (more expensive) alternatives to using a handset. Africa is no exception here and – as noted in the previous section – data use is already very high for the right data applications. The ultimate application, of course, is the open internet itself, where subscribers can surf without limits. This is a longer term goal and is likely to be preceded by "limited web experiences" which are more appropriate to potentially less literate communities with highly targeted needs and which allow operators to manage its use. However the groundwork for full internet access needs to be laid today and must answer to the following challenges:

Pulling in prepaid (casual) subscribers. The greatest contrast between the use of mobile communications in developed and developing markets is arguably the business model, Africa is the pre-paid continent with >97% prepaid subscriptions. In some regions this can be as high as 99%. Any mobile web service must be accompanied by technologies which enable prepaid subscribers to be targeted and signed up on "no commitment, temporary data plans" which last as little as a day or even an hour. Just as in the case of a professional accessing WiFi at an airport, the average user must be able to access the mobile web for an hour or two on a casual basis and for a fee that he considers nominal.

Providing a churn reduction tool. The prepaid predicament also raises another challenge for operators as customers are likely to quickly change operators due to the lack of brand loyalty. This means operators must keep their service levels highly differentiated and "sticky" at all times. The key to differentiation here is to provide an internet user experience which surpasses expectation, and the competition. Put simply, any web site and any web service must work on any phone, any time, any place. No errors, no disappointments.

Reducing CAPEX and OPEX through reuse of existing investments. Price pressure is always downward which means that operators need to make use of existing infrastructure For example, operators need to look at deploying products that conserve valuable bandwidth, both over-the-air and backhaul. This will allow them to make the most out of their existing infrastructure without replacing their existing networks, or indeed, their existing handset base.

Experience has shown that operators which can launch new mobile web based data services whilst balancing these 3 requirements quickly recover their initial investments and progress to monetising their subscribers growing data habits. Moreover due to the lack of existing internet players, mobile operators can take the lead in becoming de-facto ISPs – Mobile ISPs.

THE OPPORTUNITY IS HERE AND NOW

African operators are already well aware of the need for business models that can survive on extremely low ARPU whilst limiting investment and maximising existing infrastructure. Deployed wisely, the mobile web provides the latest and greatest opportunity for operators in Africa to demonstrate market leadership through differentiation and take their subscribers onto the next logical step in their mobile lives. ■