Fundamentals for African mobile market growth

By Matthew Dawes   19 Sep 2014

While much has been said about the mobile opportunity on the African continent, there are still a number of issues inhibiting progress. These include the cost of bandwidth, the availability of Wi-Fi and of course the availability of affordable smartphones.

Mobile is of fundamental importance to the African continent, as its vast geographic expansiveness does not allow for pervasive fixed line infrastructure. I believe, however, universal access to free essential services and content is vitally important and will pay long term dividends for all the stakeholder groups.

It will allow users to gain confidence in what is being offered and therefore over time will allow paid-for services to become more accepted. This is in light of the fact that still many South Africans are using feature phones and even those with internet-enabled devices are reluctant to delve into the world of opportunities that mobile internet brings as they fear the 'bill shock' and are also not confident in what they will receive in return.

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According to the most recent statistics released by the Mobile Marketing Association of South Africa there are 32.2 million adult cellphone users in South Africa. Of these, only 48% use mobile data and this is largely concentrated in the upper class and urban areas. This means that a large proportion of mobile users are not tapping into the broader opportunity that the mobile phone brings, naturally these are also the people who stand to gain the most.

Key trends

There was a lot of focus on key trends in mobile during the recent Mobile Web Africa event, with one trend being augmented reality. The ongoing education in relation to the power of AR and how it can be adopted, for example in a shopping mall scenario was a key trend to come out of the event, but that is at the top end of technological development. It offers incredible user experience and there are a number of South African companies that are producing world leading products based on it.

The opportunities are endless and we are seeing an increasing number of basic services such as health and mGovernment emerge. An example of this is the recent launch of Facebook's Internet.org app to Airtel subscribers in Zambia. This allows Zambians to access useful data around health, employment and local information without data charges and is exactly what is going to have to be done if we want to ensure a good uptake of services. Just wait to see the impressive take up statistics that one initiative is going to deliver by the end of 2014.

Challenges

One of the biggest issues around mobile is the process of monetisation. This is at two levels - firstly, payment mechanisms are often lacking, requiring regulatory intervention and secondly, app developers and content providers sometimes monetise too quickly.

Content providers often have an issue getting their payments once an app or content has been downloaded and it is critical for regulators to step in to streamline this process as well as creating conditions where the consumer completely trusts paying on mobile.

The second challenge lies in your business strategy and model insofar as when and how you should monetise your

content. If you monetise too quickly the market might not have an appetite for it yet, which means you will not gain traction. In markets where mobile downloads are not the norm, it would be prudent to watch your timing closely. If you, for example, get an SMS offering a free music track download, people are more likely to take up the offer. If you then continue with a couple of free offers, consumers are more likely to continue using your service once you monetise.

Research has shown that by initially offering a service or content for free, your uptake is much bigger once you then monetise. However, to expect a cautious and extremely price sensitive market to immediately pay for the content is not realistic. Therefore along with the development of content, and crucially in the format that users want to consume it, the development of viable business models look to be two crucial elements which will be key to development over the coming years.

According to Tomi Ahonen, leading mobile consultant and one of the speakers at this year's event, we have only hit the tip of the iceberg in terms of mobile opportunities. He believes that in the next five years the new phone portfolio globally will migrate to smartphones and that dumb and feature phones will become completely obsolete.

He says: "Imagine if everyone has a smartphone with internet access in their pocket how that will change human kind. I think one of the biggest things for me is that although the mobile industry globally is on track to exceed the $1.7 trillion mark this year, the mobile age is really only starting now. We are only the practice phase now. The biggest changes that mobile will have on the planet will only happen in the next ten to twenty years."

ABOUT MATTHEW DAWES

Matthew Dawes is the founder of All Amber, organisers of Mobile Web Africa. Launched in 2009, Mobile Web Africa is an annual event that focuses on mobile data, products and services.
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