

Africa's invisible sector: Caught up in complexity

 By [Hein Koen](#) 28 Aug 2015

Having faced nasty bill shocks at month end, or struggled to get out of onerous mobile contracts many consumers have long since made the switch to prepaid SIM cards...



FreeDigitalPhotos

From high-powered executives to cash strapped students, prepaid has proved a popular option for anyone wanting to monitor their phone spend and budget accordingly. And as the cost of voice and data continues to decrease (and equals out for both contract and prepaid customers), more consumers are recognising the inherent benefits that prepaid SIMs present.

Unsurprisingly, local businesses are also beginning to recognise that they have this option, and are increasingly choosing prepaid SIMs instead of postpaid. For SMEs, switching to prepaid SIMs for employee devices has in some instances become a necessity. It is not uncommon for an SME to receive an invoice the end of the month that includes a SIM that has consumed 100 times the amount of data it was supposed to. This type of bill shock can easily damage an otherwise healthy and sustainable business. So even as startups and small businesses grow into medium sized enterprises - and have increasing numbers of employees needing mobile connectivity - prepaid SIMs remain an attractive option.

Steady growth in M2M connections

Another factor driving the adoption of prepaid in South Africa - and indeed across the continent - is the growing number of machine-to-machine (M2M) connections.

It is critical to recognise that SIMs extend well beyond just data and voice in employee devices - they play an essential role in M2M communication. Forming part of the Internet of Things (IoT), M2M enables systems to communicate with other devices. This means that businesses can have multiple connected devices that transmit data back into a corporate back-end. A recent study by GSMA Intelligence, the research arm of the GSMA, forecast that cellular M2M communications will account for at least 10 per cent of the global mobile market by 2020.

The invisible sector...

As the number of these M2M connections grows, businesses of all sizes, but particularly SMEs, have recognised that prepaid SIMs allow them to keep data costs in check. Companies are also building

advanced business tools on prepaid platforms which allows for real time visibility of usage and spend associated with connectivity, thereby reducing risk and capping costs for the user.

As a result, the SME M2M market makes wide use of managed prepaid SIM cards. And when one looks at the rest of Africa, statistics show that almost 98 percent of the market is relying on prepaid SIMs. Having largely escaped the attention of the major mobile operators, there is almost an 'invisible sector' across Africa that runs on prepaid SIMs. Think of vehicle tracking devices, Point of Sale (POS) terminals, alarm systems, smart meters and various measurement devices - all of these critical technologies rely on prepaid SIMs.

The pain point: SIM management

The key challenge for this 'invisible sector' is effective SIM management. Unlike their bigger corporate counterparts, small and medium sized businesses do not have a 'direct line' and close engagement with local mobile operators, and hence struggle to take proper ownership of SIM management. They consequently face looming challenges with regards to billing and funds, and also in terms of the human resources required to manage all aspects of the SIM lifecycle. And particularly for Africa's M2M businesses that are seeing their connections multiply and become more complex with every passing year, these challenges are set to mount.

From an affordability and resources perspective, small and medium sized businesses simply cannot use providers who assist, for example, large tracking companies. Instead, these smaller players require a niche services provider capable of providing them with a SIM management and control solution that fits their business. Without this type of assistance, many of Africa's small and medium sized enterprises are going to get caught up in the complexity of trying to manage and monitor massive numbers of prepaid SIMs - leaving them unable to focus on and grow their core business.

ABOUT HEIN KOEN

Co-founder and Director of Flickswitch, a technology company in the mobile telecoms space focusing on the management of M2M data SIM cards across various African mobile networks. He is passionate about mobile data and its connectivity means in Africa. As the use of data SIM cards increases in this age of IoT (Internet of Things), it needs to be managed. The intersection of data SIM cards and effectively managing it on a large scale, is what gets Hein excited. [View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>