

Article Name: Mobile operators bet big on Africa broadband

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Mobile operators bet big on Africa broadband

JOHANNESBURG: On a continent where a computer is beyond the reach of most people, wireless operators in Africa are betting that broadband via a cheaper mobile device can deliver explosive growth and help transform economies.

While mobile firms in developed markets have long seen mobile broadband as a lucrative add-on service, Africa's limited internet infrastructure means that mobile phones are becoming the point of entry for high-speed Internet.

Industry giants such as South African group MTN, Indian operator [Bharti Airtel](#) and France Telecom's Orange unit, as well as smaller firms like South Africa's unlisted Cell C, are ramping up investments to win the new battleground of high-speed internet via mobile phones.

"For many consumers, their first internet experience is via a mobile handset -- and this is the next revenue frontier for African markets," Karel Pienaar, managing director of MTN South Africa, said at an industry conference in Cape Town last year.

Emerging markets telecoms research firm Delta Partners expects non-voice revenue in Africa, including short messaging services, to hit \$10 billion by 2014, from about \$5 billion now.

Mobile broadband still accounts for a small fraction of industry revenue, but its contribution is growing rapidly and is now helping to boost revenues at African operators.

MTN, Vodafone's Vodacom and Kenya's Safaricom have pointed to rising smartphone and mobile internet use as partly helping earnings last year.

MTN recently delivered a 46 per cent rise in first-half data revenue to 2.9 billion rand (\$413.2 million), while rival Vodacom posted data growth of 41 per cent.

ESSENTIAL FOR AFRICA

For the world's poorest continent, the growth of mobile broadband promises a lot more than just high-speed surfing.

"If Africa fails to achieve reasonable broadband penetration, we will not only lose the possibility of

fast economic growth, but possibly also begin to retard existing growth," said Dobek Pater, a telecoms analyst and partner at research firm Africa Analysis.

A 10 per cent rise in broadband penetration is linked to a 1.3 per cent increase in economic growth, according to the World Bank.

Some farmers in South Africa are already benefiting from the service, gaining access to real-time crop prices. However, more drastic steps are still needed to ensure the expansion of the service, Africa Analysis said in a recent research note.

"Literacy levels in Africa remain too low to attract considerable demand for broadband access at the consumer level," the firm said.

"Much work remains to be done to raise literacy levels, both normal and digital, in order for consumers to realise the benefit of being universally connected."

LARGE OPERATORS With so many operators vying for market share, a clear leader has yet to emerge.

"We expect the large operators to be the primary winners of this broadband rush," said Guy Zibi, managing director at U.S.-based telecom advisory firm AfricaNext Investment Research.

Even African cellphone manufacturers are positioning themselves to benefit from this new revenue frontier. Nigerian start-up Anabel Mobile has developed the first African-made smartphone, which offers services similar to Research in Motion's BlackBerry.

But smaller operators and new entrants are not likely to challenge bigger wireless firms in mobile broadband market.

"A successful mobile broadband business case relies on scale, meaning that those operators who are first or second in market share should have adequate returns," analysts at Delta Partners said in an e-mail to Reuters.

"Third, fourth or fifth players will need to evaluate the mobile broadband business case more carefully. Factors such as high spectrum costs and coverage requirements could limit the profitability of smaller players."