African telcos need to disrupt or be disrupted

By Mariam Abdullahi

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For African telecoms providers, who have feasted on near-uninterrupted subscriber and revenue growth over the past two decades, the need to adapt is paramount.

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In a market where the average business lifespan is 12 years (compared to 25 years in the last two decades), the objective is not to simply improve that which is already working.

> *African telcos need a radical transformation of entire business models in order to become digital supply networks and re-imagine work, resources management, and contingent worker management.*

Since the advent of the internet and the more recent emergence of technologies that include machine learning, IoT, cloud computing, and predictive analytics, businesses with exponential growth models such as Amazon, Uber, Airbnb and MPesa have entirely transformed their industry sectors almost overnight.

Data costs impacting African economies
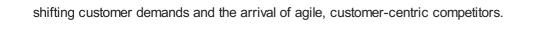Duduzile Mkhwanazi 12 Feb 2018

Thanks at least in part to these companies, customer expectations have ballooned, with modern consumers demanding personalised, efficient service at low cost and with added convenience.

Talented employees have also increasingly gravitated toward these companies, putting further pressure on incumbents who suddenly are outperformed and out-innovated at every turn. "Too big to fail" in today's market is a near-certain recipe for decline and eventual disaster.

Telco execs heeding the call

Telco executives across Africa and other emerging markets have scrambled to reinvent their business models in the face of

shifting customer demands and the arrival of agile, customer-centric competitors.

Airtel Africa merged its Ghana operations with Tigo Ghana and sold off operations in Sierra Leone and Burkina Faso to adapt to rapidly changing market conditions.

South Africa's Cell-C is seeking investments into fibre-to-the-home providers to enable its diversification into new service offerings including insurance and media.

Further afield in India, LTE and voice-over-LTE operator Jio acquired 100 million subscribers in only six months by offering free voice services for life to its customers, prompting a sudden merger between Vodafone India and Aditya Birla Group's Idea operations to form India's largest telecoms company.

Kenya's Safaricom is building on its much-lauded MPesa platform by diversifying into new revenue streams, including Uber competitor Little and e-commerce portal Ma Soko to claim a greater share of its customers' wallets.

These companies have already felt the effects of declining traditional revenue streams as disruption from the likes of OTT players such as WhatsApp, Skype, and YouTube put pressure on what was until recently primary (and highly dependable) sources of revenue.

According to PwC, many telco operators globally are seeing revenue drop-offs of as much as 30% in SMS, 20% in international voice, and 15% in international roaming. Incremental improvements and operational changes are no longer enough. Those that can adapt to take advantage of technology megatrends such as hyper-connectivity, cloud computing, and IoT are far better placed to reinvent their business models and can further incorporate software defined networks and network function virtualisation to speed up the innovation cycle.

The nature of transformation in 2018

> *Digital transformation in 2018 is not about cutting costs or optimising existing processes. It is a relook of the entire telco business model.*

It is asking the hard questions: Am I serving my customers in the right way? Are my operations efficient? Is cost-cutting adequate and sustainable? Am I able to hire the correct staff, attract the best talent, and empower them to contribute to an inclusive and innovation-focused workplace?
Telco executives must ensure their companies' day-to-day culture drives innovation across the entire business. The aim should be to develop personalised services and to deliver such services in a way that meets the demands of an empowered customer base.

The only way to do that is to have access to the correct customer insights – such as data usage and consumption habits, call volumes, area of residence – and to act on such insights in a humane and personalised manner. For this, analytics and

data are key, especially when matched to an in-memory computing platform that enables real-time actionable insights.

Need to simplify core business operations

At a time when telco offerings are highly commoditised and there's not too much distinguishing one operator from the other, telcos need to simplify their core business operations to allow for the development of a clear unique value proposition for sustainable growth that takes local conditions into account. For example, with so many African countries not yet fully adopting 4G technology, does it truly make sense to invest heavily in emerging 5G technology?

The African telco market has moved away from improvement to large-scale disruption and transformation. Telcos who embark on a process of total business model change underpinned by powerful exponential technologies will be far better placed to withstand and overcome the challenge posed by the new breed of disruptors.

2018 will determine who adapts, maximises on operational efficiencies, leverages innovation for new revenue streams and who relies on old ways of doing businesses that negatively impacts their go-to-market offerings.

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