

# Frost & Sullivan's top tech trends for Africa in 2017 - Part 1

It's easy to be inundated by the avalanche of technology that exists and is constantly coming out, leading to a plethora of emerging trends in the market and across the globe.



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Frost & Sullivan states that what's of particular interest to them isn't just what the technology is capable of, but from an African perspective, what it actually means for the market in its application and the wider implications in its development and deployment. To that end, the Information & Communication Technologies (ICT) team has prepared its view on key trends that will emerge over the course of 2017.

This won't necessarily be a 'we told you so', but rather an overview of trends to keep front of mind when looking over the vast landscape that is evolving technologies.

## ICT's future in Governments' hands

Naila Govan-Vassen, senior industry analyst - Africa ICT, says: Africa's communication services market, while not yet at saturation point, is approaching maturity, particularly in urban areas of some of the relatively more advanced telecoms markets – like South Africa and Mauritius. The real challenge is to increase the connectivity reach into less densely populated areas, the urban and semi-urban areas. Government involvement is, therefore, critical to the success or failure of ICT infrastructure deployment.

Mobile internet is relatively expensive for the majority of citizens on the African continent; even higher LSM subscribers only use mobile internet when not connected to fixed wireless. So how can a citizen in the lower LSM afford mobile internet connectivity plus monthly data and a smartphone?

The pressure is on for government, as it needs to have a clear vision and understanding on how ICT can benefit its citizens, the country and the economy. Government needs a realistic road map on how ICT infrastructure needs to be deployed. And there is also a clear need for government to collaborate with the experts on the industry - from the regulators to MNOs and OEMs.

2017 is expected to be the year where sound ICT plans need to be developed, that serve as a guideline to investors and other ICT stakeholders. In the case of South Africa, there are solid plans for broadband; however there is a lack of guidance as to whom, how and when the plan will be implemented.

In addition, the release of spectrum, re-farming of existing spectrum, facilitating Public Private Partnerships (PPP), creating internet demand; addressing power supply challenges (as a measure to reduce the OPEX to run base stations outside the power grid); and understand the benefits of digitally empowering citizens are some of the immediate actions to be expected from African governments.

Countries such as Rwanda, Kenya, Nigeria, and Uganda are expected to experience positive benefits from an increase in the connectivity reach. Political will and collaboration with the relevant stakeholders have been the key driving forces behind their success. Countries on the continent need to leverage from one another's expertise and achievement factors. Regional collaboration will be a key trend expected to influence the industry in 2017.

## **Blockchains, not bitcoins**

George Etheredge, research analyst - ICT Africa, says: The past year (2016) saw a dramatic decrease in the hype surrounding bitcoin and blockchain technologies. Venture capital investment in blockchain startups fell by 17% from 2015. Frost & Sullivan believes that a similar trend will occur in 2017. However, this does not mean that there will not be activity in the blockchain market.

We expect that, in 2017, firms will focus on core blockchain and blockchain-like technologies, rather than on their applications to crypto-currencies. It must be noted that blockchain-like technologies essentially provide a mechanism by which the authenticity of a digital asset can be verified. Naturally, crypto-currencies would be a non-starter, if not for this fact. Bitcoins could simply be duplicated, rendering them immediately valueless.

In 2017, firms will explore other applications where the verification of digital assets is required. An example here is in anti-piracy where the authenticity of media files could be verified using blockchain-like technologies. Similarly, blockchain is expected to be used to develop 'smart' contracts, automatically verified by virtue of the blockchain.

Although all banks in South Africa claim to be investigating blockchain technology, it is unlikely that anything will come of this in the near future. Banks have very little motivation to change their operating models unless incentivised to do so by external factors. I believe it may be possible that banks will guard their blockchain innovations to use as a weapon against disruption in the near future.

## **IoT in 2017 – taking a step into the future**

Deepti Dhinakaran, research analyst - ICT Africa, states: Will Africa take the lead in the Internet of Things (IoT) in 2017?

Yes, most definitely. The technology will not only disrupt but also serve as a key driver to the growth and development of the African ICT market.

The African IoT market is currently in its early growth stage, driven by the need for increased business efficiency and productivity. South Africa has the most developed IoT market in Africa, followed by Kenya and Nigeria respectively. Fleet management, retail, energy, security and surveillance, and manufacturing verticals will see an upward growth trend in respect to the use of IoT services during 2017.

Whilst most providers focus on the aforementioned verticals as these offer higher profit margins, solutions that address regional challenges – such as agriculture, mobile health (mHealth), and wildlife conservation – will grow steadily, with a view of improving the quality of life in Africa. Amongst horizontals, analytics, platforms, and low-power consuming sensors and hardware devices will show huge growth opportunities.

2017 will see a large number of the IoT applications that currently run on 2G networks, shift to 3G networks. The adoption of LPWAN connectivity technologies will grow significantly, driven by the need for increased speed, longer range, and higher power efficiencies.

IoT providers across verticals will leverage their in-house and acquired capabilities to benefit from the platform and software application services segments, given their higher value potential. International providers will increasingly follow an indirect business model in countries like Kenya and Nigeria as this ensures cost-effective operations and the sharing of risk with local providers, owing to the importance of local partnerships in these IoT markets.

Strategic partnerships and acquisitions will be key to accelerate growth in the IoT market. This will assist providers to expand the partner ecosystem, while emerging as end-to-end IoT solution providers. Partnerships are primarily driven by the need to develop a competitive advantage in scale; whilst acquisitions are made to acquire technology and talent. Telecommunications service providers will continue to leverage their connectivity expertise in 2017, while trying to evolve as end-to-end vertical solutions providers, developing capabilities to provide post-sales support across the entire value chain.

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