How the channel is changing in Africa

Distributors and resellers of software and hardware in Africa have to adapt to a changing marketplace as the sales of that entire industry slowly begins to shift online and move into the cloud.

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Although internet penetration in Africa is still lagging far behind the rest of the world, 20% of the continent's population will be online by the end of 2014, up from a mere 10% in 2010 - which means a staggering 50% jump in just four years - according to statistics released by the International Telecommunication Union (ITU).

In South Africa, this increase in web connectivity is thanks to increased bandwidth capacity in the country, courtesy of more submarine cables landing on our shores in recent years - cables that are now piping much needed bandwidth into the country. And despite a report which was released by the United Nations last year which showed that the adoption of cloud computing was low in low- and middle-income countries - with Latin America, the Middle East and Africa combined only accounting for 5% cloud traffic growth on the Internet in 2012 - according to analysis done by research firm Frost & Sullivan, the cloud computing markets in South Africa and Kenya earned a combined revenue of $114.6 million in 2013, with the amount estimated to escalate to $288 million in 2018.

Does this mean that software and hardware sales and distribution are under threat? "Although some industry experts are of the opinion that it is, we think that it is simply shifting gears," says Simon Campbell-Young, CEO of Phoenix Distribution, the leading broad based distributor of software and hardware on the African continent. "Distributors can easily weather the changes by doing what every other company in every other industry has to do: keeping up with the trends, adapting to it and - if need be - tapping into new markets."

Campbell-Young says the advent of the cloud has actually not killed off the computer hardware market. "On the contrary, according to projections, it is on an upward trajectory. Global market research group Business Monitor International (BMI)

predicted late last year that computer hardware sales in South Africa was going to grow over 6% this year to reach R38.6 billion, up from 36.2 billion last year. This growth, BMI said, was going to be fuelled by cloud adoption, which will lead to more investments in data centre facilities, which in turn will lead to an increasing demand for servers and networking equipment."

On the software front, surprisingly, the forecasts are also optimistic, with International Data Corporation (IDC) predicting at the start of this year already that South Africa's software industry would "balloon", forecasting an expenditure increase with 10.5% to R5.7 billion. The South African Enterprise Application Software Market 2013 - 2017 Forecast's prediction is equally optimistic, reporting that overall enterprise applications software spending in South Africa will see a compound annual growth rate of 11.6% across those five years to reach $787.19 million in 2017.

Campbell-Young concludes that much of that growth might come from Software-as-a-Service (SaaS). "SaaS is where a lot of cloud services growth will be focused, since it allows small-to-medium sized businesses access to the kind of technology and services that have previously only been available to larger companies with bigger IT budgets. For example, SaaS allows companies to automate systems that were previously manual, thereby reducing risk of error and data loss, because SaaS providers often also include automatic backups in their systems."