

Drop in telecoms carriage fees will drive broadband access

Internet penetration in Africa at 15.6% is about half the world average. While some may see this as cause for concern, it is not a true reflection of the level of access on the continent where individuals may not own terminals but access the internet at cybercafés.



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Additionally, individuals will soon have greater access to the internet as a result of digitisation (the migration from analogue to digital technology), which will further help to bridge the digital divide between emerging and developed markets says KPMG.

Digitisation directly impacts both telecommunications and the broadcasting sectors. The successful completion of the digitisation process will result in a complete closure of analogue transmission and would act as an enabler for growth in both sectors. However, for these sectors to add value and to increase profit points will largely be dependent on easier, wide-spread and more cost effective access on the continent.

"In fact, it is estimated that digitisation will bring about a further drop in telecommunications carriage fees, and drive growth in ARPU (average revenue per users), thereby increasing profitability and allowing content producers to focus on better material," says Joseph Tegbe, Partner in Management Consulting Advisory, West Africa Lead - Technology, Media and Telecommunications at KPMG Nigeria. "Digitisation will not only impact the telecommunication industry but also the film industry, financial service, agriculture, healthcare, consumer market, and education sectors."

Digitisation bringing about change

According to KPMG Research, digitisation also impacts unemployment rates, GDP growth, as well as the literacy levels of countries thus narrowing the gap between developing and developed economies.

Emerging markets are more export-oriented and driven by tradable sectors. As a result, they tend to gain more from the effect of digitisation on employment than from its influence on growth. It creates jobs, with a 10 point increase in the digitisation score leading to a 1.02% drop in the unemployment rate. This is almost five times greater than the effect that the widespread adoption of broadband has on reducing unemployment.

"Analysis reveals that an increase of 10% in a country's digitisation score fuels a 0.75% growth in its GDP per capita. As an economic accelerant, digitisation therefore is 4.7 times more powerful than the 0.16% average impact of broadband deployment on per capita GDP," adds Tegbe.

"Additionally, the economic effect of digitisation accelerates as countries move to more advanced stages of the process. Digitally constrained economies receive the least benefit, largely because they are yet to establish an ICT ecosystem that can capitalise on the benefits of digitisation."

Transition from analogue to digital technology would mean an increase in data and information and would see the African economy shift more rapidly to a knowledge economy. This would mean that the gap between the rural and urban areas will also be reduced thus improving literacy.

Cross-industry impact

The type and extent of the impact that digitisation has on a sector of the economy is determined mainly by the interaction of these four areas of the sector - Business Models, Go-to-Market Strategy, Production, and Operations.

"Digitisation is fundamentally reshaping business models. It is lowering barriers to entry and expanding market reach for enterprises. In terms of a go-to-market strategy, it is changing how companies build brands and products, communicate, and provide services to their customers. Companies are increasingly relying on social media to build brands. Close to 40 percent of those online use the web to research items that they buy in physical outlets. Digitisation is also enabling companies to create products tailored to customers' tastes." he says.

In addition to this, digitisation is changing the way companies manage their production assets. It has enabled companies to move labour intensive tasks to emerging economies while competing to develop the best design and user interface. Just consider how the advent of 3D printing is creating a new way to manufacture complex products and leading to the import of jobs back to developed economies.

Finally, digitisation has had the greatest impact on the way companies organise and operate to generate competitive advantage. It has created more global entities, seamlessly in touch across continents, and has redefined the concept of office space. Digitisation is also allowing companies to outsource or completely automate a number of their back-end functions, enabling them to become more efficient.

Continues Tegbe: "If digitisation significantly enhances market access, then job growth will be more likely in that sector. However, if digitisation primarily drives efficiency growth and does not lead to new market creation, then that sector is likely to lose jobs. It is evident that digitisation will impact different sectors differently and this needs to be investigated thoroughly."

Driving broadband growth

But it is not through digitisation alone that Africa will grow in the connected landscape.

"Broadband creates an enabling environment for businesses and governments. Therefore, it improves overall productivity and creates jobs. Jobs such as the construction works, trenching, laying of fibre-optic lines and installation of wireless towers will increase as broadband penetration increases," says Tegbe.

"Broadband penetration will help promote and fund entrepreneurship and IT Initiatives and allow for a more skilled

workforce that can take up outsourced IT jobs in major institutions. It also creates a knowledge economy to support e-health care and e-education provision which are managed by content providers of such services."

The Nigeria National Broadband Policy and Rollout Plan has a projection to grow to 30% broadband penetration by 2017, which will show a significant increase in broadband and Internet access in the next three years.

"In Africa, the challenges to ICT is enormous and its impact on GDP, unemployment, literacy, population below poverty, and life expectancy is evident. However, these challenges also present opportunities."

These include the potential for infrastructure, increase of ICT skills and familiarity through digital literacy programs, content, and application providers, as well as human development and training opportunities within the ICT sector.

The role of the public sector

The public sector also has a vital role to play to help create an enabling environment. As at 2012, 48 countries in Africa had developed National ICT strategies with various initiatives being established throughout the continent to address shortage of IT skills.

As an example, the Government of Nigeria recently introduced several initiatives as an off shoot of its National ICT policy. These include the Open Access Broadband framework and licensing of InfraCos across the country to provide metropolitan back haul fibre infrastructure as well as the licensing of 2.3GHz spectrum to provide wholesale last mile wireless access in the country.

"It has therefore become essential for companies throughout Africa to embrace digitisation and assist the public sector wherever possible in helping meet their connectivity goals. Nurturing these partnerships will significantly enhance the socio-economic growth of the continent," concludes Tegbe.

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