Deloitte.

Hyperscalers and Telcos:
The art of the possible in the
enterprise space across Africa

September 2021

Deloitte at West Africa Com

Deloitte joined West Africa Com as a Knowledge Partner and contributed very impactful insights to the summit, bringing vast expertise to the table through moderating and participating in highly curated, strategic discussions alongside other industry thought leaders.

Deloitte chaired two roundtables at the LeadersIn Africa Summit which is an exclusive, invite-only VIP event for the most senior and influential executives. It runs under Chatham House Rules to encourage frank, productive dialogue and build further connections between industry leaders, policymakers and regulators. It's an interactive event consisting of, highly curated quality content pertaining to current critical issues affecting Africa's development.

The LeadersIn Africa Summit took place on 13 September 2021. West Africa Com took place from 14–15 September 2021.

Speakers at the LeadersIn Africa Summit
Topic: Hyperscalers and Telcos: The art of the possible in the enterprise space across Africa

Shyam Ranchod
Africa TMT Digital Leader
Deloitte
Moderator

Yash Singh
Sourcing and Procurement Lead
Deloitte
Panellist

Erica Noda
Global Clients Lead,
Digital Infrastructure Investments
International Finance Corporation (IFC)
Panellist

Daniel Acton
Regional Tech Lead
Google Cloud Africa
Panellist

1

Welcome and Context

The growth of hyperscalers in the African market has meant more competition Telcos but also brings opportunities. To unpack this, it is important to understand the enterprise market for Africa, the segments the challenges both for large and small enterprises and how they are presenting themselves, understanding the role Telcos and hyperscalers currently play in servicing the needs of the enterprise market. There is a case for partnership and collaboration for both parties, and that brings new opportunities for the Telcos, believes Shyam Ranchod, a Deloitte Africa TMT Digital Leader.

"There is a case for partnership and collaboration for both parties, and that brings new opportunities for the Telcos"

"Understanding African Enterprise Market Segments"

Daniel Acton the Regional Technology Lead for Google Cloud, views 3 key enterprise segments as catalysts for hyperscaler growth in the African market and these are:

The SME/SMB segment, with millions of small, medium, micro enterprises across Africa – is key to building African economies.

The second is the large enterprises and multinationals who are seeking to drive operational efficiencies, decreasing the total cost of ownership of their assets through modernisation and cloud migration. This shift is taking place in the public sector as well. Equally there's a drive to derive new lines of revenue through innovation.

The third segment – that is often forgotten but critical to the long-term growth of the region is education. Investments in this segment set the foundation for tomorrow's wave of digital transformation.

To scale value propositions and accelerate this growth within Africa and to other markets, Erica Noda, Global Clients Lead, Digital Infrastructure Investments at IFC suggests that enterprises need to structure their solutions and thinking around these building blocks: the first layer being digital infrastructure, the second layer we think is the digital platform and the third layer being digital ID and payment systems, and only then are the entrepreneurs able to really roll out use cases on top of all these building blocks. This is a pivotal change we're already seeing take place.

While digital transformation is taking place at scale, according to Yash Singh, Deloitte Africa Sourcing and Procurement Lead, investments are being slowed down by infrastructure maturity and uncertainty around support from Hyperscalers and Telcos alike. These delays come at substantial costs as enterprises continue to struggle with existing inefficiencies.

"While digital transformation is taking place at scale, investments are being slowed down by infrastructure maturity and uncertainty around support from Hyperscalers and Telcos alike"

3

The role of Telcos and Hyperscalers in servicing market needs

Hyperscalers such as Google are investing in developing the market with programs such as "Grow with Google" through "ads grants" and "Google My Business" where businesses regardless of their size are onboarded onto a digital transformation journey. Working with Telcos and Hyperscalers the service offering goes beyond just voice connectivity but can now offer productivity, collaboration tools etc. On the other hand, large enterprises are increasingly relying on Hyperscalers to migrate from costly legacy infrastructure towards cloud-based, scalable infrastructure as well as adopting new ways of working such MLOps.

The state of connectivity is a key building block underpinning any of these use cases thus the role of the telco is critical. With the significant number of the unconnected being in Africa, for example for 4G penetration being at 10%, there is still a lot of work to be done by the Telco and there's a clear need partner with Hyperscalers to accelerate the preparation of the ecosystem to foster innovation.

As criticism to both Telco and Hyperscalers alike, there's a focus in developing business to consumer use cases such as payment systems, while the speed of development in B2B use cases isn't as high. Paul warns about Africa's indigenous market growth not being served in earnest.

Opportunities for the Telco in collaborating with Hyperscalers

The "usage and coverage gap" remains a big challenge for the region, because of this Telcos invest billions of dollars in infrastructure but have very marginal return on their investments because of limited utilisation (in some areas it is recorded at 30%). The impact is constrained network rollout. While Telcos are bound by regulation to provide connectivity, punitive measures are not sufficient to ensure the required coverage.

Telco/Hyperscalers partnerships present a unique opportunity to address this and drive demand by focusing on base-level connectivity and leveraging relevant use-cases from Hyperscalers will allow SMEs and startups to scale and we can start having situations where start-ups are able to work with large corporate organisations to create symbiotic relationships.

Another area of focus is device affordability. While costs are dropping it is not happening fast enough. Multiple stakeholders that are inter-ested in this along with the working group within the World Bank, and of course the market and consumers will benefit from the outcomes. Device affordability is an important piece of the puzzle because ultimately access to use-cases will drive organic growth.

Regulators and other key stakeholders

Africa has an advantage of having a growing and upwardly mobile population. This translates to more business for enterprises in the value chain. Furthermore, the population size can be leveraged for scale. YS draws parallels with India, in that it is very similar to Africa in terms of economic factors and significantly reduces the cost of data compared to other markets. This has managed to unlock the internet for its consumers.

However, leveraging scale for Africa is more complex, in that while India has the benefit of being one country that has more than a billion people, Africa is made up of a hybrid of many countries and a number of regulatory bodies, and these are the kind of hurdles to be addressed. There is a need for Africa to act in unison to be able to scale.

Equally there is a need to players such as NGO's, communities, government bodies to work together to build uses cases that focus on demand aggregation. Examples of this are the Giga initiative by the ITU and UNICEF that brings connectivity to schools in many African regions. This is critical to improve high-speed internet access.

Concluding remark

Hyperscalers are set to grow in Africa and can only do so by developing local economies. It is still too early on the curve for economic growth to be measurable but the trend shows it certainly is heading that way.
Network coverage remains a challenge for the region and regulatory mandates are not sufficient to force Telcos to make the necessary investments. However, partnerships with Hyperscalers can bring use cases to drive demand across different sectors.

Key Contact
Shyam Ranchod
Deloitte Africa TMT Digital Leader
Tel: +27 11 304 5356
Email: sranchod@deloitte.co.za

Author
Sandile Thwala
Africa TMT Manager
Tel: +27 11 209 8830
Email: sthwala@deloitte.co.za

Deloitte.