Africa is land of opportunity for Microsoft

March 21 2013, by Janet I. Tu

When Microsoft announced recently that it was starting a big push to grow its market in Africa, it cited the continent's big growth opportunities, calling Africa a "game changer in the global economy."

Similarly, IBM, Google, Intel, Hewlett-Packard and other tech companies in recent years also have expanded their presence in Africa.

As the growth of tech hardware, software or services flattens or declines in mature markets such as the U.S. and Western Europe, and markets in China, India and Russia grow increasingly competitive, many of the largest tech companies are looking to Africa.

"The U.S. and Europe are stagnant. China is growing but plateauing, as is India," said Roz Roseboro, principal Middle East and Africa analyst at research and consulting firm Analysys Mason.

"You've got these big multinational companies looking at Africa and saying: 'You've got growth here,' " she said.

Though situations vary from country to country, some factors have coalesced to make the continent attractive to major tech firms. The political situation in many countries has become more stable, with governments open to cooperating and forming joint projects with foreign, multinational corporations.

More tech infrastructure is being built, including undersea fiber optic cable systems bringing faster broadband connections to Africa's coasts

and terrestrial cables to extend the networks inland.

China's government and some of its companies have invested in African infrastructure, such as electricity grids, in return for natural resources such as oil and minerals.

There is a growing middle class and rapid urbanization. And the population of the continent, as a whole, is young - with an average age under 20 in some countries, Roseboro said.

"They're the ones who want this (tech) stuff and the most willing to pay for it," she said. "And they're the ones evangelizing - it's going to be the 16-year-old student who shows his mom how to use it."

But before all that can happen, there are challenges to overcome.

More education and more skilled labor are needed to help build the economy and the tech ecosystem, to say nothing of the consumer and business markets.

Basic infrastructure is lacking. While strides have been made in increasing broadband access, most people in Africa still don't have online access. For those who do, the connection can be slow or costly.

"For Microsoft to sell software, for Google to sell ads, you have to get people online," Roseboro said.

In other words, to have a market to sell to, the tech companies must first invest in building the market.

Toward that end, many of the strategies launched by tech companies expanding their footprint in Africa also include investments in infrastructure as well as increasing Internet access, developing people's

skills and education, and establishing research and technology hubs.

Microsoft launched its 4Afrika initiative last month - an effort that has the company spending an additional $75 million in the next three years over what it's currently investing there.

The initiative includes working with the Kenyan government and a Kenyan Internet service provider to deliver low-cost, high-speed wireless access; getting millions of smart devices into the hands of African youths; bringing a million small- and medium-sized businesses online; providing skills training; and creating an "online hub" through which small- and medium-sized businesses can gain access to free products and services from Microsoft and others.

It also includes a partnership with Chinese phone manufacturer Huawei to introduce a Windows Phone, called Huawei 4Afrika, with features and apps specifically designed for the Africa market.

Getting a foothold in the mobile market is especially important in Africa, where, for many, a PC is too expensive and a feature phone or a smartphone is the first and possibly only computing device for many. Indeed, mobile payments - using a phone to make payments or do banking - are common in Africa.

Microsoft has been in Africa since 1992 and now has about 750 employees and 11,000 channel partners there. The company's investment has grown steadily, with a particular focus in the education sector, as well as financial services and oil and gas businesses, said Fernando de Sousa, general manager of Microsoft Africa Initiatives.

But now the company realizes "we need to accelerate adoption of technology, accelerate coverage across the population of Africa," de Sousa said. "Traditionally, while we do well perhaps in urban areas, and

in certain countries more than others, our ability to cover the continent has not been as broad as we would have liked or what we think the continent deserves."

Other tech companies have come to the same realization.

Intel launched its first Intel-based smartphone in Africa - the Yolo - earlier this year. It's also working to expand the software-development community by investing in mobile apps development and university training.

Google is improving Internet access, including offering technical assistance to Internet providers; granting money to organization working to expand engineering expertise to universities; and offering a fixed amount of free Internet bandwidth for up to three years to certain universities.

"As more Africans get online, we're continuing our work to create an accessible and relevant Internet," said Julie Taylor, a spokeswoman for [Google](#) Sub-Saharan Africa.

Eighteen months ago, HP announced it was opening new offices in 10 African countries, adding to the seven it already had, and investing in collaborations with governments, universities and communities to help develop the workforce and spur innovation.

IBM, which has been in Africa since the 1930s, describes it as the world's fastest-growing region in terms of growing GDP, foreign investment, middle class, mobile usage and bank accounts.

In 2009, the company was in four African nations; now it's in more than 20. It opened its 12th research center in the world in Nairobi, Kenya. Researchers there will be focusing on challenges and priorities facing

African countries.

"We found we really needed to take our presence in Africa to the next level," said Takreem El Tohamy, IBM's general manager for Middle East Africa.

Indeed, in the 15 years Jyoti Lalchandani has been tracking the Africa market for research firm IDC, the past 12 to 18 months have been among the most hectic and newsworthy in terms of the tech industry, he said.

Obviously, a lot of it is driven by business potential.

"IT (information technology) spending is growing 12 to 15 percent every year across the continent," said Lalchandani, vice president and regional managing director at IDC Middle East, Turkey and Africa.

Overall, IT spending across Africa will increase from $30 billion last year to $40 billion in 2016, he said. If telecom is also included, IDC says the spending will increase from $103 billion to close to $130 billion by 2016.

"I think, moving forward, we're going to hear a lot more about Microsoft's focus on Africa," Lalchandani said. "They realize this offers an amazing opportunity for them to grow their business."

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BY THE NUMBERS:

-20: Number of African countries Microsoft is in.

-750: Number of Microsoft employees in Africa.

-$75 million: The additional amount Microsoft plans to spend in Africa in the next three years.

-$40 billion: Estimated amount to be spent on IT in Africa in 2016, up from $30 billion last year.

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