Orange strengthens its position in Africa by deploying Djoliba as the region becomes more connected

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The demand for data continues to grow significantly across Africa, and this has driven new players, such as internet companies, to invest in network infrastructure. However, this increased spending by webscalers is likely to be a threat to local operators unless they form partnerships with these internet giants and make use of the improved networks. Local operators should focus on two main strategies to avoid being side-lined by public cloud providers. They should either increase their own investments in the region to optimise their existing infrastructure (as Orange has done with its newly launched Djoliba backbone) or futureproof their role in the value chain by using their local expertise to develop next-generation services and exploring new business models.

Investment opportunities in Africa are attracting new players that are threatening the role of local operators

The relentless rise in mobile data usage in Africa is driving the demand for faster and better connectivity, which in turn is resulting in increased demand for digital infrastructure. This is incentivising new players such as webscalers (for example, Amazon, Google and Facebook) and IT and fintech shareholders to invest in digital infrastructure assets in the continent, particularly in data centres and the cloud.

This increased interest may pose a threat to local African operators. The risk is that these operators may miss out on opportunities to monetise connectivity, which is becoming more affordable and abundant thanks to developments in international submarine cable and satellite technologies. They may also lose out on the new opportunities for expansion that are arising due to the liberalisation of some of the telecoms markets in Africa.

Orange is launching Djoliba, the first pan-West African fibre network

Orange is one of several African operators to increase its investment in the region, in response to webscalers' ambitious investment strategies. Orange currently operates in 18 African countries and has more than 120 million customers in the region. It recently announced the commercial launch of Djoliba, a fibre backbone in West Africa. The network consists of more than 10 000 km of terrestrial fibre coupled with 10 000 km of submarine cables and connects eight countries (Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Liberia, Mali, Nigeria and Senegal). The network is operated via a supervision centre located in Dakar, Senegal, and is designed to support broadband connectivity at speeds of up to 100 Gbit/s with a 99.99% availability rate.

Orange took advantage of the scale of its existing infrastructure when building the Djoliba network, which currently covers 16 points of presence and connects 300 further points of presence across Europe, America and Asia. Djoliba also connects to Orange Group's international network, which enables its users to access the platforms and services offered by Orange in Africa. These include IP transit, mobile service platforms, VPNs and hosting in Orange's African data centres.

Orange hopes to use the deployment of Djoliba to facilitate interconnection between countries, which has historically been challenging in Africa because of isolated and compartmentalised state-based telecoms networks. Djoliba will also enhance connectivity and related services in land-locked countries that do not have direct access to submarine cables, and expand Orange's customer base by reaching new users that were not previously able to access connectivity.

The deployment of Djoliba is part of Orange's commitment to support Africa's digital transformation through an investment of EUR1 billion per year.

The African telecoms market offers unprecedented opportunities for local operators and new players

There are other opportunities that operators can explore in order to cement and expand their role in the telecoms market in Africa and to avoid being overtaken by public cloud providers.

African operators should explore the possibility of increasing their revenue by expanding into adjacent connectivity services. By doing so, they can find new ways to differentiate themselves beyond the infrastructure layer. They should engage with players in other verticals, for example with financial institutions, in order to offer value-added services such as mobile payment services and micro-credit services. This would enable them to strengthen their position in the value chain, to increase the number of points of contact with end users and to be less vulnerable to the entry of webscalers into the connectivity market. The potential reward is a larger share of the revenue growth once digital services gain more traction.

This model has already been adopted by a few operators in Africa. For example, Orange is now deploying Orange Bank Africa in order to provide customers with additional services, such as access to savings and loans (it previously launched a transfers and payments service in 2008). Similarly, Safaricom launched M-Shawari, a mobile banking service for instant loans, which it developed in partnership with the Commercial Bank of Africa.

Local operators should also consider increasing the availability of their data services outside urban centres, where access remains limited, before the webscalers do so. The addition of digital services, such as banking, will enhance the business case further. Deploying a network in rural areas has historically been unattractive because of poor infrastructure and limited demand. However, offering access together with digital services to an unbanked population has a larger ROI potential, provided that the deployment is done in the most cost-effective way. For example, deployment models such as network sharing or as-a-service delivery, which are commonly adopted in developed countries, should be considered by African operators as a means to access new investment, and by new players as a way to enter the market cost-effectively.

Such an approach has been successfully adopted by Africa Mobile Networks (AMN), a UK-based company that deploys, operates and maintains mobile network infrastructure for the largest mobile network operators (MNOs) in Africa. AMN builds, operates and maintains base stations through the network-as-a-service (NaaS) model in return for a fee that is either fixed or variable. This enables MNOs to expand their existing network coverage into ultra-rural areas without further capex or opex risk.

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