OPPORTUNITIES IN THE KENYAN ICT SECTOR

BUSINESS SWEDEN

2017

Business Sweden in Nairobi
GROWTH IN KENYA’S ICT SECTOR IS DRIVEN BY THE MOBILE MARKET

- Kenya has the world’s highest mobile money penetration rate, (68% of population)
- The government has launched project to extend internet access to all Kenyans

**USD 500mn in 2012**

14.9% **CAGR**, 2012-2017, driven by mobile

**THE NATIONAL BROADBAND STRATEGY WILL FACILITATE FURTHER NETWORK DEVELOPMENTS AND INCREASE CONNECTIVITY**

SOURCE: MINISTRY OF INFORMATION COMMUNICATION AND TECHNOLOGY, PWC, BUSINESS DAILY AFRICA, BUSINESS MONITOR INTERNATIONAL, KENYA VISION 2030 STRATEGY
A NUMBER OF PROACTIVE INITIATIVES AND ACTORS DRIVE THE DEVELOPMENT OF KENYA'S ICT SECTOR

**Government Initiatives**
The government has included strategies for development of the ICT sector in the country's Vision 2030 goals. There are more initiatives to increase investments in the sector, which are led by the government and the ICT Board. The initiatives include among other things the development of the Konza Technology City, valued at USD 14.5 billion.

**Local Innovation**
A number of ICT hubs in Kenya have been established to promote the development and use of ICT technologies through co-working, collaboration and incubation services. One good example is iHub, who brings together technologists, investors, tech companies and hackers, creating an ecosystem of creators and users of ICT and mobile technologies.

**Local private companies**
Kenya’s largest operator, the local company Safaricom, is a large contributor to innovation, as they have revolutionised m-commerce with their service M-pesa. Safaricom has in collaboration with Microsoft enabled an integration that allows software developers on the Microsoft platform to sell their products via the Safaricom payment platform.

**Foreign Multinationals**
Google, IBM, Nokia, Siemens, Huawei, Samsung and many other multinational companies are operational in Kenya, something that has boosted development and confidence of the sector and contributed to the promotion of doing business in Kenya.

AN INNOVATIVE LANDSCAPE AND SUPPORTIVE MECHANISMS MAKE LOCAL RESEARCH AND DEVELOPMENT OPPORTUNITIES INTERESTING

SOURCE: iHub, BUSINESS MONITOR, BUSINESS SWEDEN ANALYSIS
KENYA HAS THE HIGHEST MOBILE PENETRATION RATES IN EAST AFRICA

MOBILE PENETRATION IN KENYA 2012-2016

2012  71%  2013  72%  2014  74%  2015  81%  2016  90%

CHARACTERISTICS

- Kenya’s 90% penetration rate represented a total number of 39.7 million mobile subscribers in 2016
  - Prepaid subscribers make up for over 95% of the total mobile subscribers
  
- Kenya’s continued mobile penetration growth is supported by mobile data services as well as handset affordability
  
- The subscriber growth is expected to slow down in Kenya due to the high level of penetration
  
- The current penetration rate presents opportunities for low-value strategies and mobile financial services as well as niche value added services
  
- Fixed phone line penetration is low, at ~0.5% and is expected to decline further

MOBILE PENETRATION IN SELECTED COUNTRIES 2015

Uganda  50%  Rwanda  71%  Tanzania  76%  Kenya  81%  Sweden  130%  S.Africa  165%

OPPORTUNITIES IN THE MOBILE MARKET ARE MAINLY IN THE VALUE ADDED SERVICES

SOURCE: INTERNATIONAL TELECOMMUNICATION UNION, EUROMONITOR INTERNATIONAL, COMMUNICATIONS AUTHORITY, BUSINESS MONITOR
Safaricom is the dominant player in Kenya’s mobile market with a market share of 69%. This is closely tied to the company’s mobile financial service M-pesa.

Safaricom’s dominant position has posed a challenge of uneven profitability, which has lead to the streamlining of operations and infrastructure sharing e.g. towers by the other players.

Changes in the competitive landscape in the mobile market is expected as a result of:

- Two Mobile Virtual Network Operators Finserva Africa and Sema Mobile were recently licensed. This has intensified competition with Finserve Africa acquiring 6% of the market share.
- Helios, a British based company, acquired Telkom Kenya operating under the Orange brand name. It is expected that the firm will aggressively roll out 4G services in the country.

THE ENTRY OF HELIO’S IS EXPECTED TO IMPACT COMPETITION ESPECIALLY FOR DATA SERVICES

SOURCE: BUSINESS MONITOR INTERNATIONAL, BUSINESS DAILY, SAFARICOM
Kenya is the world leader in mobile money and accounts for 30% of all active global users.

**Adults using mobile money in selected countries, 2014**

- **Kenya**: 58%
- **Somalia**: 37%
- **Uganda**: 35%
- **Tanzania**: 32%
- **South Africa**: 14%

**Characteristics**

- The first mobile money service in Kenya was launched in 2007.
- Currently, Kenya has the world’s highest mobile money penetration rates of 58%.
- Kenya accounts for ~30% of the world's 61 million active mobile money users.
- The current use of mobile money has posed a threat to the traditional retail model that is cash based.
- Over 80% of mobile money transactions value are transferred on Safaricom’s M-pesa service. The average value of daily M-pesa transactions is estimated at USD 30 million distributed across 20 million users.
- The other companies offering mobile money solutions and their respective market share are: Airtel’s Airtel money (18%), Finserv Africa’s Equitel money (7%), Mobikash (7%), Tangaza (2%) and Orange’s Orange money (1%).

Source: Communications Authority of Kenya, World Bank.
INTERNET PENETRATION RATES ARE EXPECTED TO CONTINUE GROWING IN KENYA

INTERNET PENETRATION IN KENYA, FY* 2011-2015

- 36% (2011-2012)
- 48% (2012-2013)
- 55% (2013-2014)
- 67% (2014-2015)

CHARACTERISTICS

- The relatively low internet penetration rate of 67% presents opportunities for growth in Kenya.
- Internet service providers have rolled out infrastructure mainly in major towns to provide fast and steady internet connection.
- Availability of affordable smartphones and cheaper internet bundles has contributed to internet penetration growth.
- Over 99% of internet users accessed the internet via smartphones and other handheld devices.
  - Growth of e-commerce services, social networking, online mobile banking, research on mobile devices has pushed demand for internet use.
  - All mobile operators have launched 3G. So far only Safaricom has launched 4G, but Airtel and Orange are expected to do so in 2017.

FIXED INTERNET BROADBAND MARKET SHARE 2015

- Wananchi: 54%
- Liquid Telkom: 7%
- Safaricom: 7%
- Access Ke: 9%
- Jamii Telkom: 17%
- Other**: 5%

SOURCE: BUSINESS SWEDEN ANALYSIS, COMMUNICATION AUTHORITY OF KENYA BUSINESS MONITOR INTERNATIONAL

*FINANCIAL YEAR **OTHERS: IWAY AFRICA 3%, TELECOM ORANGE 2%, OTHERS 2%
THE GOVERNMENT IS INVESTING TO ACHIEVE UNIVERSAL INTERNET ACCESS ACROSS KENYA

KEY ONGOING INFRASTRUCTURE DEVELOPMENTS

- Telecom infrastructure development in some parts of the country remains inadequate. As growth in urban areas stagnates, the rural markets is expected to be the next frontier.

- The regulator of the ICT sector, the Communications Authority, will be investing in voice and broadband to cover access gaps in high cost areas that private companies have not invested in.

- National 4G network is underway through a joint venture by the Kenyan government and telecom operators.

- Mobile operator Safaricom was the first operator to market the 4G service, Orange and Airtel are expected to launch 4G services in 2017.

NATIONAL BROADBAND STRATEGY

- The government launched a USD 2.89 billion National Broadband Strategy in 2013 with the objective to extend internet access to all Kenyans.

- The project has so far connected 28 out of the 47 Kenyan counties with fibre connection, and development is ongoing for the remaining counties.

- The project is also expected to connect all ministries through a government common core network, with the objective to facilitate internal communication.
## Growth in Internet Penetration and Mobile Data Is Expected to Create Opportunities

<table>
<thead>
<tr>
<th>IoT</th>
<th>Increased connectivity and growth in M-commerce is expected to drive demand for internet of things, cloud solutions and data analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>3G Handsets</td>
<td>There is demand for cheaper 3G enabled handsets to tap into currently underutilised 3G network</td>
</tr>
<tr>
<td>TV &amp; Gaming</td>
<td>There is growing demand for mobile enabled high-definition video, gaming services and internet based television in the upper middle-class market segment</td>
</tr>
<tr>
<td>Corporate IT</td>
<td>The growth of industries such as manufacturing and financial services is expected to drive demand for corporate IT solutions and they are expected to ramp up their IT investments to remain competitive</td>
</tr>
<tr>
<td>IT Security</td>
<td>With the rapid expansion of the IT sector, internet security will become important particularly targeting larger business clusters</td>
</tr>
</tbody>
</table>

**IoT Solutions and Corporate IT Solutions Present Attractive Opportunities for Swedish Companies**

Source: iHub, Kenya Investment Authority, Business Sweden Analysis
Business Sweden’s assignment is to facilitate for Swedish companies to grow internationally and for foreign investors to invest in Sweden.

We promote Sweden as an attractive, innovative and competitive business partner. An important part is to support Swedish companies in reaching export markets with their products and services.

We are jointly owned by the Swedish government and the private sector, represented by the Ministry for Foreign Affairs and the Swedish Foreign Trade Association.

Business Sweden offers a variety of consultancy services, for example the following:

- Market Analysis: Deepen your knowledge on local market dynamics in your sector
- Business Support: We offer office space and administrative support on the ground
- Visiting Programme: Searching and visiting relevant partners, e.g. distributors
- Recruitment: We support in finding and recruiting the right local representatives
CONTACT US

BUSINESS SWEDEN IN KENYA

Business Sweden
Eden Square, 3rd floor, off Westlands road
Box 137 99, 00800 Nairobi
T +254 20 3749760
kenya@business-sweden.se
www.business-sweden.se/kenya